

**Information Memorandum regarding the Allocation of the Newly-Issued Ordinary Shares to the Existing  
Shareholders of Sri Trang Agro-Industry Public Company Limited**

(Pursuant to the Notification of the Capital Market Supervisory Board No. TorChor. 73/2015

Re: List of Information in Notice of Shareholders' Meeting of Listed Company  
for seeking approval of the issuance and offering of securities)

The meeting of the Board of Directors of Sri Trang Agro-Industry Public Company Limited (the "Company") No. 4/2017, which was held on 17 July 2017 resolved to approve its capital increase by 256,000,000 Baht from 1,280,000,000 Baht to 1,536,000,000 Baht in order to issue and offer the newly-issued ordinary shares to the Company's existing shareholders in proportion to their respective shareholding (Rights Offering). The details of the Rights Offering are as follows:

**1. Details of the Offering**

The Company offers 256,000,000 newly-issued ordinary shares with a par value of 1 Baht per share to the Company's existing shareholders in proportion to their respective shareholding (Rights Offering) at the ratio of 5 existing shares to 1 newly-issued ordinary share, with the offering price of 10 Baht per share. The offering price is discounted from weighted average market price of the Company's stock in the period of 7 days prior to the Board of Directors' Meeting dated 17 July 2017, equaling to 14.59 Baht representing 31.48% discount from such weighted average market price.

For shareholders who hold shares in the Company through direct securities accounts with CDP, the Company will fix the exchange rate after receiving approval from shareholders meeting, and the Company will announce the offering price in SGD (equivalent to the price of shares in Baht) to shareholders for their further information.

The Company will allocate the shares to its shareholders in proportion to their respective shareholding. In the event that there are fractions of shares after the calculation, such fractions shall be disregarded. Additionally, shareholders can subscribe for the newly-issued ordinary shares in excess of their entitled rights (Oversubscription). Such shareholders will be entitled for oversubscribed shares allocation only if there are remaining shares from shares allocation to existing shareholders according to their rights.

Regarding the allocation of newly-issued ordinary shares to existing shareholders in proportion to their respective shareholding, if there are remaining shares after the allocation to the existing shareholders in the first round, the Company will allocate the remaining unsubscribed shares to the shareholders who wish to subscribe for the newly-issued ordinary shares in excess of their shareholding proportion at the

price equivalent to the price of shares allocation to existing shareholders pursuant to the right, and in proportion to such shareholders' existing shareholding ratio as follows:

- A. If total unsubscribed shares are more than or equal to the total number of the shares that the shareholders would like to subscribe in excess to their rights in the first round, all shareholders who subscribe for shares more than their rights and complete subscription payment of the oversubscribed amount will receive the allocation of shares pursuant to their subscriptions
- B. If total unsubscribed shares are less than the total number of the shares that the shareholders would like to subscribe in excess to their rights in the first round, all shareholders who subscribe in excess of their rights will receive the allocation pursuant to the following steps:

- (1) The remaining shares will be allocated to the shareholders who oversubscribe pursuant to the right, equaling to the number of the newly-issued ordinary shares subscribed pursuant to the right of shareholders who oversubscribe, divided by the number of the total newly-issued ordinary shares subscribed pursuant to the right of all shareholders who oversubscribe and multiplied by the number of total newly-issued ordinary shares remaining. The equation will result in the number of the newly-issued ordinary shares to be allocated to the shareholder who oversubscribe in excess of the right. In the event that there are fractions of shares after the calculation, such fractions shall be disregarded. In this regard, the allocated shares shall not exceed the number of shares that each shareholder subscribes and makes payment for.
- (2) In case that there are remaining shares from shares allocation in (1), the Company will allocate such remaining shares to the shareholders who oversubscribe but have not received all oversubscribed shares, under the similar method as (1). In this regard, the remaining shares will be allocated to shareholders who oversubscribe, under this method, until none of the shares remains from shares allocation, or the remaining shares are unable to be further allocated as they are the fractions of shares, or none of the shareholders wishes to subscribe for the newly-issued ordinary shares.

If there are remaining shares after the allocation to existing shareholders according to their rights and in excess of their rights (Oversubscription), the Company will decrease the registered capital by reducing the remaining newly-issued ordinary shares from the offering.

Nevertheless, the allocation of oversubscribed shares in any case shall not reach or cross the point where any oversubscribed shareholders required to conduct a tender offer, under the Notification of the Capital Market Supervisory Board No. TorChor. 12/2011 Re: Rules, Conditions, and Procedures for the Acquisition of Securities for Business Takeover. Additionally, the allocation of shares, in any case, must not violate the foreign shareholding limit as specified in the Company's Articles of Association which allow the foreign shareholding of not exceeding 49% of total issued shares of the Company.

The Company has fixed 8 September 2017 as the record date for determining the list of shareholders entitled to receive the subscription rights in proportion to their respective shareholding and 11 September 2017 as the share register book closing date for compiling the list of shareholders in accordance with Section 225 of the Securities and Exchange Act B.E. 2535 (as amended).

Shareholders who hold shares in the Company through direct securities accounts with the Central Depository (Pte) Limited (“CDP”) (“**Depositor**”) or persons who hold shares standing to the credit of their securities accounts with the Depository Agents at 5.00 p.m. (Singapore Time) of 8 September 2017 will be entitled to receive the subscription rights in proportion to their respective shareholding.

The capital increase will be proceeded after receiving approval from the Extraordinary General Meeting of Shareholders No. 2/2017 to be held on 31 August 2017, regarding the capital increase and the allocation of new shares of the Company. The share subscription and payment period in Thailand is scheduled for 2 – 6 October 2017. The authorized directors of the Company or a person who is authorized by the authorized directors shall have the authority to determine other details in respect of the allocation of the newly-issued ordinary shares, as stated above such as (1) the shares allocation, the offering period, the record date, the share register book closing date for compiling the list of shareholders entitled to receive the subscription rights, the offering price, the terms of payment, the conditions and other details with regard to the allocation of the newly-issued ordinary shares; (2) to negotiate, enter into, and execute documents and agreements regarding the allocation of the newly-issued ordinary shares, as well as to carry on any matters in relation to the allocation of the newly-issued ordinary shares and (3) to sign application for approval, a waiver, and evidence required for and relevant to the allocation of the newly-issued ordinary shares, as well as to contact and file a request for approval or waiver with the governmental authorities or related organizations, and to arrange for the newly-issued ordinary shares to be listed on the stock exchanges, and to have the authority to perform any matters which are reasonable and required in respect of the allocation of the newly-issued shares.

With respect to the shareholders who hold shares in the Company through direct securities accounts with CDP, CDP will inform the details of the subscription of new shares and shares subscription period to such shareholders separately to comply with the rules and regulation of the Singapore Exchange and relevant competent authorities.

**2. Objectives of the Capital Increase and Plan for Utilizing Proceeds**

The Company will use the total proceeds from the capital increase as follows:

- 1) To partially repay the loan that the Company borrowed to purchase the shares of Sri Trang Gloves (Thailand) Co., Ltd., in total of approximately 1,500 million Baht within Q4/2017
- 2) To payback short-term loans from financial institutions in total of approximately 500 million Baht within Q4/2017
- 3) To invest in the expansion of production capacity of natural rubber products in Indonesia and Thailand, in total of approximately 410 million Baht within Q4/2018\*
- 4) To invest in subsidiaries that sell and distribute medical examination gloves including but not limited to US, China etc., in total of approximately 150 million Baht within Q4/2018\*

Remark: \*After the Company receives proceeds from the capital increase and when the Board of Directors approve such investments, the investment details and the size of the transactions will be further disclosed according to the Rules of the Assets Acquisition and Disposals.

Subject to any changes in the business and economic conditions, the Company may adjust the use of proceeds from this capital increase from abovementioned plan, for the best benefit of the Company.

**3. Effects to the Shareholders from the Offering for Sale of Newly-issued Shares**

- 1) Price Dilution

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|--|
| $\text{Price Dilution} = \frac{(\text{Market Price} - \text{Market Price After Offering})}{\text{Market Price}}$ |
|--|

Market Price = Weighted average price of the Company's shares in the period of 7 days prior to the Board of Directors' Meeting dated 17 July 2017

Market Price After Offering =  $\frac{[(\text{Market Price} \times \text{Existing Paid-up Shares}) + (\text{Offering Price} \times \text{Total Offering Shares})]}{(\text{Existing Paid-up Shares} + \text{Total Offering Shares})}$

$$= [(14.5946 \times 1,280,000,000) + (10 \times 256,000,000)] / (1,280,000,000 + 256,000,000)$$

$$= 13.8289 \text{ Baht per share}$$

$$\text{Price Dilution} = 5.25\%$$

Hence, after the issuance and offering of newly-issued ordinary shares to its existing shareholders, if the subscription right is fully utilized, price dilution will equal to 5.25%

2) Earnings per Share Dilution: EPS Dilution

|              |   |  |
|--------------|---|--|
| EPS Dilution | = | (EPS Before Offering – EPS After Offering) / EPS Before Offering |
|--------------|---|--|

$$\begin{aligned} \text{EPS Before Offering} &= \text{Last-Twelve-Month Net Profit}^{1/} / \text{Existing Paid-Up Shares} \\ &= -584,786,519 / 1,280,000,000 \\ &= -0.4569 \text{ Baht per share} \end{aligned}$$

$$\begin{aligned} \text{EPS After Offering} &= \text{Last-Twelve-Month Net Profit}^{1/} / (\text{Existing Paid-Up Shares} + \text{Total Offering Shares}) \\ &= -584,786,519 / (1,280,000,000 + 256,000,000) \\ &= -0.3807 \text{ Baht per share} \end{aligned}$$

$$\text{EPS Dilution} = 16.67\%$$

Remark: <sup>1/</sup>Last-Twelve-Month Net Profit is net profit from Q2/2016 to Q1/2017

Hence, after the issuance and offering of newly-issued ordinary shares to its existing shareholders, if the subscription right is fully utilized, EPS dilution will equal to 16.67%

3) Control Dilution

|                  |   |   |
|------------------|---|---|
| Control Dilution | = | Total Offering Shares / (Existing Paid-Up Shares + Total Offering Shares) |
|------------------|---|---|

After the issuance and offering of newly-issued ordinary shares to the existing shareholders, and the existing shareholders have fully subscribed their rights, such shareholders' voting rights will not be affected because the shares are allocated to each shareholder in proportion to their existing shareholdings. However, if any shareholder discards his subscription right while other shareholders

fully subscribe their rights, such shareholder will be affected from control dilution, equaling to 16.67% which is calculated from the following equation:

$$\begin{aligned} &= 1,280,000,000 / (1,280,000,000 + 256,000,000) \\ \text{Control Dilution} &= 16.67\% \end{aligned}$$

#### 4. **Opinion of the Board of Directors**

Board of Directors Meeting has considered and opined on the capital increase in the matters as follows:

##### 1) **Rationale and necessity for the Capital Increase**

The Board of Directors Meeting opined that the Company needs to increase the capital in order to partially repay the loan that the Company borrowed to purchase the shares of Sri Trang Gloves (Thailand) Co., Ltd., which will be due in 29 December 2017. Additionally, the capital increase shall accommodate the expansion of the Company's production capacity of the natural rubber products and strengthen its position as a distributor of medical examination gloves in various countries. In this regard, the Company requires sufficient source of fund to support the aforementioned investment to ultimately enhance the growth potential of the Company in the future. Moreover, the Board of Directors opined that the repayment of partial short-term loans from financial institutions shall improve proportion of short-term interest bearing debt to long-term interest bearing debt to the more suitable level. On top of that, the Board of Directors opined that the capital increase to allocate newly-issued ordinary shares to existing shareholders in proportion to their shareholdings (Rights Offering) can be implemented in short period of time under relatively low budget (compared to Private Placement or Public Offering methods), while every shareholder is granted his right to participate in the share subscription and to receive return altogether on the Company's future performance.

##### 2) **Feasibility of the proceeds utilization plan**

The Board of Directors opined that the loan that the Company borrowed to purchase the shares of Sri Trang Gloves (Thailand) Co., Ltd, which will be due in 29 December 2017 and the short-term loan that the Company borrowed from the financial institutions shall be repaid without delay once the Company receives the proceeds from the capital increase. The repayment of loans shall not only improve the proportion of short-term interest bearing debt to long-term interest bearing debt to the more suitable level, but also reduce interest expense burden of the Company. Regarding the expansion of the production capacity of natural rubber products, the Company is determined to expand the production capacity in Indonesia and Thailand. In this regard, the Board of Directors

opined that, with the thoroughness of the expansion plan as well as the strong background of the Company in expanding the production capacity of natural rubber products in the past, the Company shall be able to complete the expansion plan in accordance with predetermined timeline. Nevertheless, the capital increase in the Company's subsidiaries, to support the sale and distribution of medical examination gloves in various countries, shall be considered together with other external factors e.g. the number of new customers or the growth rate of customer orders in each country, and the adequacy of current amount of fund to support such growth. Considering the historical record of the Company's capability to generate sales of medical examination gloves, the Board of Directors opined that such proceeds utilization plan shall be achievable.

**3) Reasonableness of the capital increase, plan to utilize the proceeds derived from the offering for sale, and projects to be operated, including the sufficiency of the sources of funds**

The issuance and offering of such newly-issued ordinary shares is reasonable because the amount of capital increase is in consistent with and sufficient for the use of fund of the Company in the future.

**4) The potential impact which may occur to the business operation of the Company, as well as its financial positions, and operational results, due to the capital increase and the proceeds utilization plan or projects:**

The Board of Directors views that, the proceeds derived from the capital increase will support the Company in making debt repayment to the financial institutions within the predetermined schedule. In addition, the proceeds will be utilized to reduce financial burden and strengthen financial position of the Company. This shall also strengthen the relationship between the Company and existing financial institutions. The business expansion shall essentially enhance the Company to achieve its goals to increase market share and to gain negotiation power with business partners, realizing the sustainability of its business operation in the long run.

**5) Expected effects to the Company in the case that the newly-issued shares to the rights offering are not fully subscribed**

The Company may need to rely on other sources of fund to repay the loan that the Company borrowed to purchase the shares of Sri Trang Gloves (Thailand) Co., Ltd. The other possible sources of fund are an internal cash flow or short-term loan from financial institutions. This will affect the Company's proportion of short-term interest bearing debt to long-term interest bearing debt. Moreover, if the Company cannot complete share offering in full amount, the financial burden from short-term loan from financial institutions will remain to the Company, possibly affecting its

expansion plan of production capacity of natural rubber products in Indonesia and Thailand, as well as its distribution of medical examination gloves oversea.

**6) Appropriateness of the offering price, rationale on determination of offering price**

The Board of Directors resolved to determine the offering price of newly-issued ordinary shares at 10.00 Baht per share, which is 31.48% discount from weighted average price of the Company's stock in the period of 7 market days prior to the Board of Directors' Meeting dated 17 July 2017. The Board of Directors deemed the offering price to be suitable in attracting existing shareholders to subscribe for newly-issued ordinary shares, and in generating sufficient proceeds to support the Company's proceeds utilization plan.

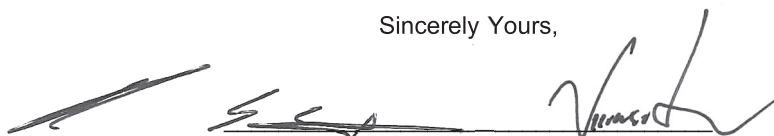
In consideration of price dilution, the aforementioned offering price will result in 5.25 % price dilution. The result is comparable to the price dilution from the rights offering of other listed companies on the Stock Exchange of Thailand.

**5. Liability of the Board of Directors**

In the case that the directors of the Company do not perform their duties in good faith and with care to preserve the interest of the Company relating to the capital increase; if this non-performance causes damages towards the Company, shareholders are able to bring a suit to the court to claim compensation on behalf of the Company according to Section 85 of the Public Limited Companies Act B.E. 2535. In addition, if that non-performance is the cause for directors or related persons to obtain undue benefits, shareholders may bring an action to such director for disgorgement of benefits on behalf of the Company, according to Section 89/18 of the Securities and Exchange Act B.E.2535.

The Company hereby certifies that the information contained in this report is true and correct in all respects.

Sincerely Yours,



( Mr. Kitichai Sincharoenkul , Mr. Veerasith Sinchareonkul )

Authorized Director