

3. Risk factors

3.1 Risk of business of the Company

1) Risks of income

The Income of the Company is from selling construction material. Currently, there are many manufacturers, so the competition on price is quite serious while some consumers need cheaper products and sometimes they overlook the quality of products with long lasting usage with more safety. However, the company has operated the business for 52 years, so the products of the company are accepted of good quality, also some groups of consumers need good quality and good service with capable to operate on time, cause no damage to the buyer from delay of work.

2) Risk of price of raw material adjustment

In 2015, the price of some raw materials had been decreased such as cables, steel and cements. Thus, the Company had to pursue the price of raw materials continuously. In addition, the Company had solved to the problem by planning to buy the products with the manufacturers of raw materials when the Company obtained the huge projects and had the prices agreed in advance before the Company offered customers the prices. The products therefore will be purchased and stored as a stock. As a result, this solution can be solved at a certain level.

3) Risk of raw material procurement

The company uses domestic raw material for production at 99% of all raw materials used. When the price of raw materials adjusted higher, then the problem of the deficit came after in some duration. Some materials were in the form of monopoly, cause of less negotiation.

In this case, the company has solved by following up the information and news of prices and raw material sources closely. There was planning to purchase those raw materials reasonably and sufficiently for production. While pre-purchase has been made if the signal of deficit occurred. In addition, the company is reliable from those raw material producers, so purchasing each time was in high volume, so those producers could provide raw material sufficiently and on time for the demand.

4) Risk of competition

In business of construction material producers, there is high competition among domestic manufacturers; mostly are price competitions, since each business has to maintain their business liquidation with continuous production.

The company tries to adjust its strategies of cost management, regular production process development so that the cost can be computed. Techniques and quality have been brought to use for production in order to obtain different products from other competitors, then the products are in high value. There are various products to respond to the customers' needs, with acceptable quality. While the important supportive aspects are the company has its own potentials to work within on time with no cause damage to the customers or cause no additional costs.

5) Risk of offering credits to customers

The customers of the company mostly are large contractors. There are not many large contractors in Thailand, if such payment from those customers are in trouble, it will effect to the company.

The company has determined the policy of credit more strictly by distribution, selling to many customers, selling directly to the work owners, including a request for guarantee of purchasing and service providing such as advance payment or a bank letter from the bank etc.

6) Risk of nation economic conditions

The construction business is a kind of business growing with the total nation economic condition. The nation development projects such as public utility projects, housing, buildings and office buildings ect. The political situation changed much more with uncertainty causing large projects of the government and private sectors were postponed, including the government's policy to increase the minimum wage to 300 but in every province across the country which would result increases the overall costs.

From such situations, the direct effects to the business of the company occurred, but the company has various products with the capability to make income for the company, including the company has pre-orders from many projects; therefore, the operation results appeared in the year 2014 was that the company still had income from selling.

3.2 Risk of investment securities

1) Investment risk in subsidiary company

1.1 Seven Wire Company Limited

Production and distribution of high-tensile wire Special Class is a business that is growing in line with the country's construction industry. Which is considered as a positive factor, because the income from the industry in the construction of a significant proportion of the gross domestic product of Thailand However, the prices of raw materials used in the manufacture of high-tensile wire grade special fluctuating steel prices on the world market directly.

The policy of the subsidiary to focus on the management of inventory levels are sufficient And consistent pace with the demands of customer applications To reduce the risk of fluctuations in the price of raw materials working capital levels are appropriate Trading operation with both suppliers and customers trust In addition, most of the products produced will be sold to a subsidiary company To create a seal (Synergy) , contributing to both the Company and its subsidiaries have a certain cost. Reduce the volatility of raw material prices It can also help reduce the shortage of raw materials, the company has another way.

2) Investment risk in associated company

2.1) Metric Company Limited

The construction business is growing up in the same way with the national economic condition as well as the national development project such as infrastructure projects, accommodations and office buildings. The risk of construction business depends on the political and economic stability of the country. If the government and individuals slow down the big construction project or the lack of skilled labors or a fluctuation of the price of gas, electricity, transportation, it will lead to higher in capital cost for the construction industry companies.

As a result, it will directly affect to the business of the Matrix's company (associates). The associates specialize in construction, engineering, electrical engineer and mechanical engineer which is comprehensive services and thus support all the customers' requirement. As a result, it can continuously conduct revenues to the associates. Moreover, the associates acquired the projects that already signed the contract and therefore several projects are in progress. As can be seen from the operating results in 2014 of the associates, the revenue from operating the business was growing up.

2.2) Wisdom Tree Investment (S) PTE. Limited

The company took venture investment in the Wisdom Tree Investment (S) PTE. Limited (associate) that was established in Singapore in order to invest in a joint venture to operate the production and selling of steel products in Myanmar. Nowadays, the business in Myanmar is growing at very high levels in the world. Due to the policies of the government of Myanmar that encourage investment and economic development, it leads to the infrastructure development in Myanmar was rapidly growing last year and was expected to have high levels of growth in the years ahead.

However, the business of production and distribution of steel products are not different from other businesses that are highly competitive. The raw materials and the selling price directly vary with the quantity and the price of steel which is basic consumer goods that is produced and traded worldwide. The associate has got the police to focus on managing the quantity of production and selling and also maintaining the raw materials and the product inventory to an adequate level and matches up with the demand of customers in order to reduce the risk of fluctuation of the world steel product price. The associate maintains an appropriate level of working capital loans, trades and services with both reliable seller and customers. Corresponding to expand the business in the potential market of Myanmar, it is developing significantly at new high growth rate. At the present, the associate is in process of investing and building the factory in Myanmar.

3.3 Risk of investment of the shareholders

Risk of exercise of right in warrant to purchase ordinary stocks of the company

The company issued warrant to purchase ordinary stocks from the company and the company expected that the ordinary stock of the company in the Stock Exchange would be in high price to make the warrant holders to exercise their right within due time in order to be a channel to the capital increase. From such fluctuation of foreign economic conditions, including the political instability in the country affected by the share price in the Stock Exchange greatly, the price of shares decreased greatly, would be effected top the warrant holders who still no exercise their right to purchase ordinary stocks.

The company realizes that the operation result of the company would effect to the confidence of the company and also being the push to the ordinary stocks in the Stock Exchange are traded at high prices. Therefore, the company has to take care on operation result regularly with transparency of operation for all investors' confidence.

The company sees earnings of the Company. Will directly affect the confidence of investors. The main factor that pushed the stock price of the company in the stock market. Reflect the fundamentals of the company to a level affordable price. The company is committed to the care of a consistently good financial results. Is transparent in its operations. The confidence to investors.

Board of Directors Meeting No. 3/2015 held on May 13, 2015. Has set up a Risk Oversight Committee. To investigate the risk of both internal and external. The duties and responsibilities are.

1. Establish and review the policy framework for enterprise risk management.
2. Oversee and support the implementation of enterprise risk management. Consistent with the strategy and business goals. The situation changed
3. Recommendations for monitoring and evaluation, risk management working group on risk management. To put into operation
4. The report on the risk management organization. And comment on the risks that may occur. Including ways to control or mitigation measures (Mitigation Plan). And the development of risk management.
5. Report on Enterprise Risk Management. The Board of Directors acknowledged and in the event of a factor. Or milestones Which may affect the Company. Significantly Must report to the Board of Directors. Consideration and as soon as possible.
6. board meeting At least one time per quarter
7. Perform other duties as assigned by the Board of Directors.