



SINCE 1977

บริษัท ไทยพัฒนาโรงงานอุตสาหกรรม จำกัด (มหาชน)

Thai Factory Development Public Company Limited

รายงานประจำปี 2559

# ANNUAL REPORT 2016

CHANGE  
• INNOVATION  
• IDEALISM  
• FREEDOM





## วิสัยทัศน์

มุ่งมั่น สร้างสรรค์ พัฒนาอสังหาริมทรัพย์ ด้าน  
โรงงานอุตสาหกรรม อาคารสำนักงาน และที่พัก  
อาศัย พร้อมการบริการด้วยใจอย่างต่อเนื่อง เพื่อ  
สร้างความพึงพอใจสูงสุดแก่ลูกค้า

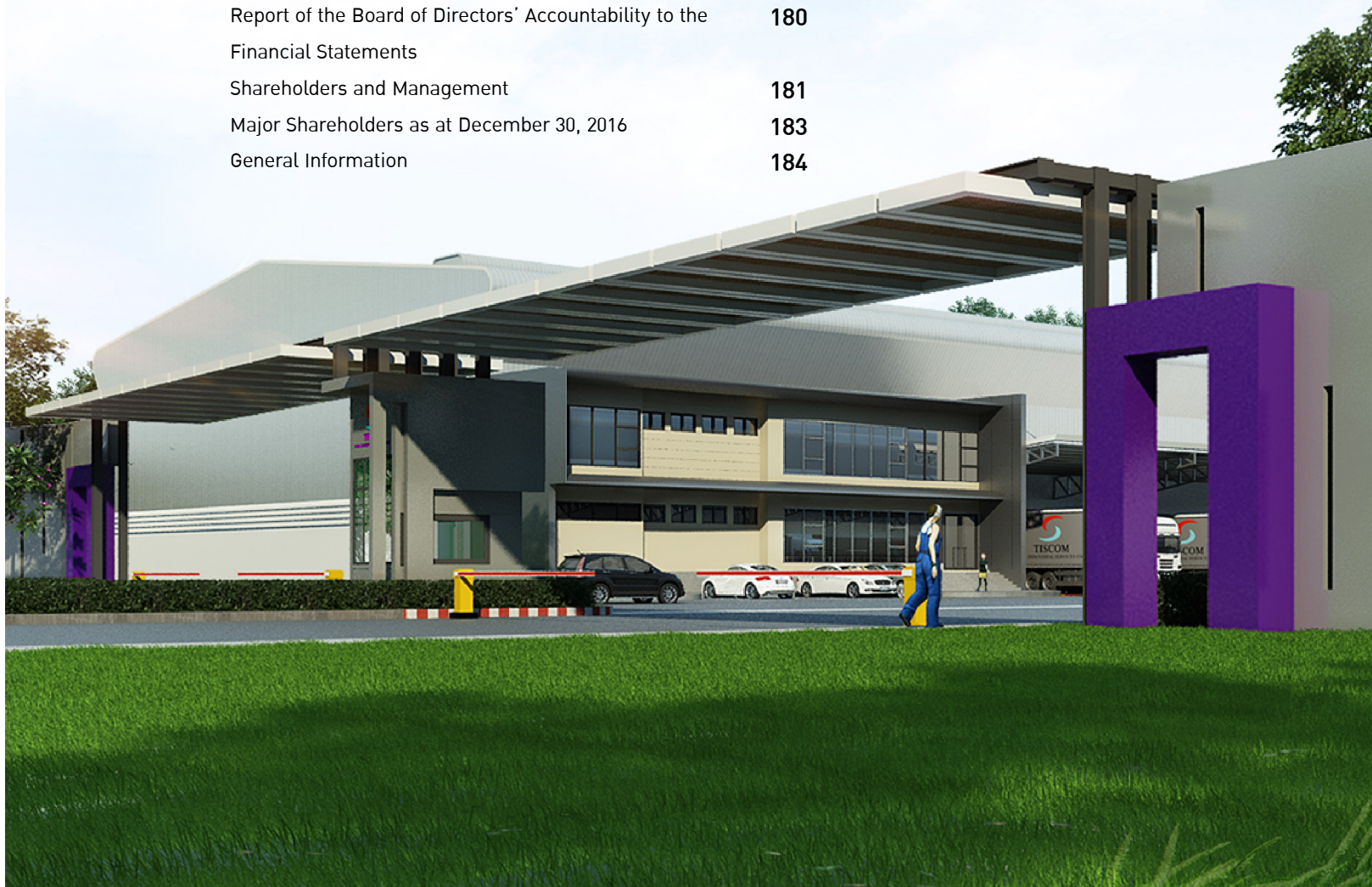
## VISION

Be Dedicated, Be Creative, Be a Quality  
Real Estate Developer In Industrial  
Factories, Office Buildings & All Real  
Estate Sectors Providing the Best  
Customer Service for Our Customers'  
Satisfaction



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## Financial Highlights

Unit : Baht Million

Lists	2559	2558	2557
<b>Financial Data :</b>			
1. Income from Sales and Service	876.69	776.22	1,384.95
2. Total income	986.25	874.44	1,465.14
3. Net profit (loss)	(318.35)	(274.56)	(157.82)
4. Total assets	9,680.54	9,657.97	7,382.84
5. Total liabilities	7,519.95	7,755.84	5,213.81
6. Shareholder's equity	2,160.59	1,902.13	2,169.03
<b>Financial Ratio :</b>			
1. Net profit to total income	-32.28%	-31.40%	-10.77%
2. Return on equity	-14.73%	-14.43%	-7.27%
3. Return on total assets	-3.28%	-2.84%	-2.13%
4. Net profit (loss) per share (Baht)	(0.25)	(0.21)	(0.12)
5. Dividend per share (Baht)	-	-	-
6. Book value per share (Baht)	1.32	1.48	1.68
7. Current ratio (time)	1.43	1.39	2.45
8. Debt: Equity ratio (time)	3.48	4.07	2.41







## Message from the Chairman

To shareholders,

2016 was the year of great loss with the passing of His Majesty the King Bhumibol Adulyadej on October 13, 2017 at the age of 89. His demise brought profound sadness to Thai people all over the country. King Maha Vajiralongkorn Bodindradebayavarangkun has allowed the private sector to host the funeral rite for the late king to which Thai Factory Development Plc has expressed our intention to do so to say the final farewell to our revered late king.

I wish to also inform shareholders that 2016 was another year of Thailand's economic slowdown due to ongoing political conflict locally and internationally. In the agricultural sector, farmers still suffered from draught while prices of farm products continued to nosedive which weakened purchasing power of farmers. Other factors included stricter credit approvals by financial institutions, the European Union (EU)'s decision to terminate Thailand's trade privileges and the fact that the country remains under the military rule shunned by the international community, all of which has made the industrial sector preferably delay their investments in Thailand.

Yet, in late 2016, TFD signed an agreement with Industrial Estate Authority of Thailand (IEAT) to develop the TFD Industrial Estate Phase II. Following this, we expect to transfer ownership to our clients in Q3/2017, which will have a significant impact to our operation result as industrial estate projects are a major source of our revenue.

I am confident that 2017 will be our year of recovery. With collaboration and hard work from everyone, TFD and companies within the group will definitely be able to generate profits.

We wish to express our heartfelt appreciation to all co-workers as well as our shareholders, customers, suppliers, financial institutions, the media, local and international investors and the general public for your great support. We hope to continue enjoying your warm trust in the years to come.

Yours truly,

Dr. Sunthorn Sathirathai  
Chairman



## Board of Directors



**Dr. Sunthorn Sathirathai**  
Chairman  
Independent Director



**Dr. Apichai Taechaubol**  
Vice Chairman  
Executive Chairman



**Mr. Prasong Vara-ratanakul**  
Audit Committee Chairman  
Corporate Governance, Nominating  
and Remuneration Committee  
Chairman Independent Director



**Mr. Gumpol Tiyarat**  
Director  
Executive Director  
Managing Director



**Dr. Sutham Vanichseni**  
Audit Committee Member  
Corporate Governance, Nominating  
and Remuneration Committee  
Independent Director  
Appointed in the position of  
Director on April 21, 2016



**Mr. Sommart Sangkhasap**  
Audit Committee Member  
Corporate Governance, Nominating  
and Remuneration Committee  
Independent Director



**Mr. Anukul Ubonnuch**  
Director  
Executive Director  
Appointed in the position of  
Executive Director on February 27, 2017



**Mr. Kittawat Taechaubol**  
Director  
Executive Director



**Mr. Bunyong Visatemongkolchai**  
Director  
Resigned from the position of  
Director on December 22, 2016



**Mr. Nan Kitjalaksana**  
Audit Committee Member  
Corporate Governance, Nominating  
and Remuneration Committee  
Independent Director  
Resigned from the position of  
Director on April 20, 2016



## Board of Director

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### Dr. Sunthorn Sathirathai

Chairman

Independent Director

Appointed on February 1, 2002

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#### Education :

- Ph.D.(Hons), Economics  
Sorbonne, France 1956
- Master's Degree in Economics  
Sorbonne, France 1954
- Bachelor's Degree in Political Science  
Thammasart University

#### Holding prominent positions at the Ministry of Finance from 1957 – 1988

- Deputy Permanent Secretary
- Director General-Comptroller General's Department
- Director General-Treasury Department
- Counsellor-Fiscal Policy Office
- Head of Banking Supervision and Savings Division

#### Working Experience :

- Chancellor at Eastern Asia University
  - Professor Emeritus in Law at Chulalongkorn University
  - Chairman of the Committee on Industrial Estate
- 

### Dr. Apichai Taechaubol

Vice Chairman

Executive Chairman

Appointed on January 20, 2012

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#### Education :

- Honorary Degree of Master of Business  
Administration in Department of General Management  
Ramkhamhaeng University
- Master's Degree in Political Science  
Ramkhamhaeng University
- Bachelor's Degree in Business Administration  
North Central University
- Bachelor's Degree in Political Science  
Ramkhamhaeng University

#### Working Experience :

- Executive Chairman  
TFD Real Estate Management Co., Ltd
- Director for AEC Securities Pcl.
- Director for Barnsley Warehouse Limited
- Director for Bognor Regis Warehouse Limited
- Director and Executive Chairman  
J.C. Kevin Development Co., Ltd.
- Director Executive Chairman  
Crown Development Co., Ltd.
- Vice Minister for Office Of Prime Minister
- Director to the DASTA
- Director and Executive Chairman — SG Land Co., Ltd.
- Deputy Advisor for the Internal Affairs Ministry
- Consultant to the Thai/Chinese Chamber of Commerce
- Chairman  
Princeton Park Suites Co., Ltd.
- Vice Chairman and Executive Chairman  
Total Industrial Services Co., Ltd.

#### Directors Program Training from IOD

- DAP, Class 39/2005
- Chairman 2000 Program
- CGI, Class 3/2015



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**Mr. Prasong Vara-ratanakul**

Audit Committee Chairman

Corporate Governance, Nominating and Remuneration Committee Chairman

Independent Director

Appointed on April 30, 1999

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**Education :**

- Master of Public Administration  
Chulalongkorn University
- Bachelor of Commerce  
Chulalongkorn University
- Bachelor of Law  
Ramkhamhaeng University

**Working Experience :**

- Director and Audit Committee Chairman  
Krungthep Land PLC.
- Independent Director and Audit Committee Member  
We Retail PLC.
- Independent Director and Audit Committee Chairman  
Thai Property PLC.

**Directors Program Training from IOD**

- DCP, Class 72/2006
- DAP, Class 51/2006
- ACP, Class 12/2006
- AACP, Class 16/2014
- ELP, Class 2/2015

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**Mr. Nan Kitjalaksana**

Audit Committee Member

Corporate Governance, Nominating and Remuneration Committee

Independent Director

Appointed on February 1, 2002

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**Education :**

- MBA, University of Michigan, U.S.A.
- Higher Diploma in Accountancy,  
Thammasart University

**Working Experience :**

- Director of The Far East Law Office (Thailand) Co., Ltd

**Directors Program Training from IOD**

- DAP, Class 58/2006

**Remark :** Mr. Nan Kitjalaksana resigned from the position of Director on April 20, 2016

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### Dr. Sutham Vanichseni

Audit Committee Member

Corporate Governance, Nominating and Remuneration Committee

Independent Director

Appointed on April 21, 2016

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#### Education :

- Ph.D, Chemical Engineering  
Imperial College of Science and Technology,  
University of London (Imperial College London)
- Bachelor of Engineering (Hons),  
University of Cantsbury, New Zealand

#### Working Experience :

- Founding Partner  
SVI Initiatives Ltd.
- Member, Monitoring and Evaluation Board  
The Thailand Research Fund (TRF)
- Director  
The National Innovation Agency (NIA)
- Vice Chairman  
Thongpratarn Foundation
- Head of Chemical Engineering Department,  
Associate Dean for Academic Affairs, Director of the  
Engineering Computer Center, University Planning  
Committee, University Information Technology  
Committee, University Research Committee;  
Chulalongkorn University

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### Mr. Sommart Sangkhasap

Audit Committee Member

Corporate Governance, Nominating and Remuneration Committee

Independent Director

Appointed on April 2, 2003

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#### Education :

- Bachelor's Degree in Law  
Thammasart University
- Bachelor's Degree in Accounting  
Thammasart University
- Bachelor's Degree in Commercial  
Thammasart University

#### Working Experience :

- Consultant in Taxation of Sapsataporn Co., Ltd.

#### Directors Program Training from IOD

- DAP, Class 58/2006



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**Mr. Gumpol Tiyarat**

Director

Executive Director

Managing Director

Appointed on February 1, 2002

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**Education :**

- Master's Degree of Business Administration  
Kasetsart University
- Bachelor's Degree of Economics  
Thammasart University
- Bachelor's Degree of Accounting  
Dhurakijbundit University
- Bachelor's Degree of Law  
Chulalongkorn University

**Directors Program Training from IOD**

- Role of the Chairman, Class 22/2009
- DCP Refresher, Class 2/2006
- DCP, Class 30/2003
- AACP, Class 21/2015

**Other Institute**

- Business and Economic Analysis Program,  
Class 22/2009  
Faculty of Economics, Chulalongkorn University

**Working Experience :**

- Tax Economist Officer of Revenue Department
- Ex-Police Sub-commission on Laws & Regulations  
Royal Thai Police
- Executive Director  
Total Industrial Services Co., Ltd.
- Executive Director  
SG Land Co., Ltd.
- Executive Director  
Crown Development Co., Ltd.
- Managing Director  
Princetonparksuite Co., Ltd.

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**Mr. Anukul Ubonnuch**

Director

Appointed on February 1, 2002

Executive Director

Appointed on February 27, 2017

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**Education :**

- Master's Degree in Business Administration  
Kasetsart University
- Barrister at Law Institute  
Legal Education Thai Bar Association
- Bachelor's Degree in Law  
Ramkhamhaeng University

**Directors Program Training from IOD**

- DCP, Class 7/2001
- Director Diploma Examination
- Chartered Director, Class 5/2009

**Training from other Institute**

- Graduate Diploma in Public Law and Management  
King Prajadhipok's Institute

- Certificate of Applied Psychology for National Security  
The Institute of Applied Psychology, National Defence  
Studies Institute

**Working Experience :**

- Director  
SG Land Co., Ltd.
- Managing Director, Director  
Total Industrial Services Co., Ltd.
- Managing Director, Director  
Crown Development Co., Ltd.
- Managing Director (1995 — 2005)  
Credit Foncier Unico Housing Limited
- Chief Legal Department (1992 — 1995)

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## Mr. Bunyong Visatemongkolchai

Director

Appointed on April 11, 2014

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### Education :

- Master of Law  
Temple University, USA
- Mini MBA  
Chulalongkorn University
- Bachelor of Law  
Thammasart University

### Directors Program Training from IOD

- DAP, Class 199/2015

### Training from other Institute

- Certificate in Administration Development,  
Institute of Administration Development  
( Class of 48th )
- Certificate in Leadership Program, Capital Market  
Academy by The Stock Exchange of Thailand  
( Class of 5th )

### Working Experience :

- Director and Managing Director  
TFD Real Estate Management Co., Ltd.
- Director  
Total Industrial Services Co., Ltd.
- Director and Chairman of the Executive Committee  
Bangkok Commercial Asset Management PCL.
- Independent Director and Member of Audit Committee  
RHB Securities (Thailand) PCL.
- Independent Director, Chairman of the Risk  
Management Committee, Executive Director and  
Member of the Corporate Governance and Corporate  
Social Responsibility Committee  
Government Housing Bank

**Remark :** Mr. Bunyong Visatemongkolchai resigned from the position of Director on December 22, 2016

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## Mr. Kittawat Taechaubol

Director

Executive Director

Appointed on April 11, 2014

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### Education :

- Bachelor's Degree in Management Sciences  
London School of Economics and Political Science  
(LSE) Houghton St., London WC2A 2AE

### Directors Program Training from IOD

- DCP, Class 196/2014
- BBL Internship Program #53, Bangkok Bank PLC

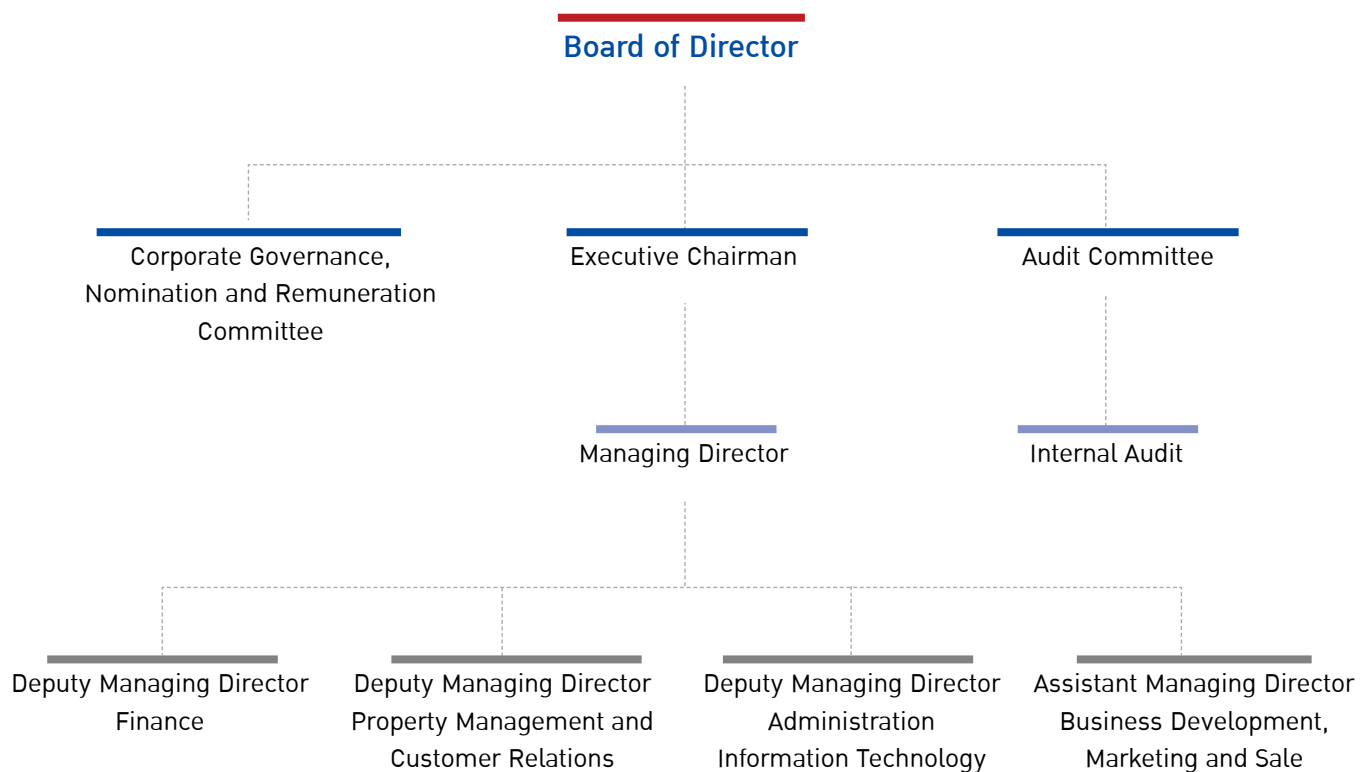
### Working Experience :

- Director, Executive Director  
Crown Development Co., Ltd.
- Marketing Analysis Manager  
J.C. Kevin Development Co., Ltd.



## Organization Chart

as of January 1, 2017



**Remark :** The Company's internal auditor has assigned to the Non-Juristic Body of Person, responsible an all function of work and the other related to the assignment from the Audit Committee.



## Managements



**Dr. Apichai Taechaubol**  
Executive Chairman



**Mr. Gumpol Tiyarat**  
Managing Director



**Mr. Anukul Ubonnuch**  
Executive Director  
Appointed on February 27, 2017



**Mr. Kittawat Taechaubol**  
Executive Director



**Mrs. Siriporn Pinprayong**  
Deputy Managing Director,  
Administration Information  
Technology, Company Secretary



**Ms. Rachanee Siwawej**  
Deputy Managing Director,  
Finance



**Mrs. Vilai S. Ngow**  
Deputy Managing Director,  
Property Management and  
Customer Relations



**Mr. Prakob Ruanglek**  
Assistant Managing Director  
Business Development  
Marketing and Sales  
Appointed on January 13, 2017



## Managements

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### Dr. Apichai Taechaubol

Vice Chairman

Executive Chairman

Joined TFD in 2012

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#### Education :

- Honorary Degree of Master of Business Administration  
in Department of General Management  
Ramkhamhaeng University
  - Master's Degree in Political Science  
Ramkhamhaeng University
  - Bachelor's Degree in Business Administration  
North Central University
  - Bachelor's Degree in Political Science  
Ramkhamhaeng University
- 

### Mr. Gumpol Tiyarat

Managing Director

Joined TFD in 2002

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#### Education :

- Master's Degree of Business Administration  
Kasetsart University
  - Bachelor's Degree of Economics  
Thammasart University
  - Bachelor's Degree of Accounting  
Dhurakijbundit University
  - Bachelor's Degree of Law  
Chulalongkorn University
- 

### Mr. Anukul Ubonnuch

Executive Director

Appointed on February 27, 2017

Joined TFD in 2002

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#### Education :

- Master's Degree in Business Administration  
Kasetsart University
- Barrister at Law Institute  
Legal Education Thai Bar Association
- Bachelor's Degree in Law  
Ramkhamhaeng University

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### Mr. Krittawat Taechaubol

Executive Director

Joined TFD in 2014

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#### Education :

- Bachelor's Degree in Management Sciences  
London School of Economics and Political Science  
(LSE) Houghton St., London WC2A 2AE

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### Ms. Rachanee Siwawej

Deputy Managing Director, Finance

Joined TFD in 1981

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#### Education :

- Bachelor's Degree in Commerce  
Thammasart University

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### Mrs. Siriporn Pinprayong

Deputy Managing Director, Administration Information Technology, Company Secretary

Joined TFD in 1994

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#### Education :

- Master of Arts in English  
Naresuan University
- Bachelor of Science in Business Administration (Finance)  
Roosevelt University, Chicago, U.S.A.



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### **Mrs. Vilai S. Ngow**

Deputy Managing Director, Property Management and Customer Relations

Joined TFD in 1997

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#### **Education :**

- Bachelor's Degree in Computer Science  
West Coast University, U.S.A.

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### **Mr. Prakob Ruanglek**

Assistant Managing Director, Business Development, Marketing and Sales

(Appointed on January 13, 2017)

Joined TFD in 2017

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#### **Education :**

- Bachelor's Degree in Accountancy  
Bangkok University.

# Social Development in the 2016



## • National Children's Day 2016

Together with the Industrial Estate Authority of Thailand (IEAT), Thai Factory Development Public Company Limited (TFD), businesses within the TFD Industrial Estate and the neighboring community brought school materials, sports equipment and consumables to students at schools around the TFD Industrial Estate. The activity was to strengthen collaboration between TFD, businesses, local authorities and the community.

## • Moral and ethical support

TFD and Tambon Tepparaj Sub-District Administration Organization sponsored the moral support project organized to enhance living quality and nurture mental health to the elderly, the disabled, the less fortunate and the general public.



## • Renovation of the Ubosot of Tha Sa-An Temple

TFD helped renovating the religious hall or Ubosot and organizing the ceremony to inaugurate the new Ubosot of Tha Sa-An Temple.



## • Songkran Thai Traditional New Year Day and the Elderly's Day

Together with Tambon Klong Niyom Yatra Sub-District Administration Organization, TFD helped organizing activities to celebrate the Songkran Thai Traditional New Year Day, which is also the National Elderly's Day.



## • TFD Open House

TFD and the Industrial Estate Authority of Thailand (IEAT) organized the Open House Day to let local authorities and communities around the TFD Industrial Estate witness our wastewater treatment system to underline public confidence in the quality of wastewater released into public waterways.





### • The Buddhist Lent Day

TFD, public sector, local authorities and the Industrial Estate Authority of Thailand (IEAT) donated Buddhist Lent candles to Tha Sa-An Temple to mark the beginning of the 2016 Buddhist Lent.



### • The Big Cleaning Day

TFD, the Industrial Estate Authority of Thailand (IEAT) and businesses in the TFD Industrial Estate organized the Big Cleaning Day at Bangna-Trad Highway area. The event intended to clean the place, take care of the environment and promote relationship between public and private sectors



### • Blood donation

Pairing with the Industrial Estate Authority of Thailand (IEAT), TFD mobilized blood donation from businesses within the TFD Industrial Estate and the general public for medical purpose. The event was supported by Buddha Sothon Temple's mobile blood donation unit, which set up facility at the TFD Industrial Estate's main office.



### • Meditation support

TFD and the Industrial Estate Authority of Thailand (IEAT) lent support to 180 monks from Chachoengsao Province to attend the meditation retreat held at Tha Sa-An Temple. The activity was to support Buddhism and nurture relationship with the neighboring community.



### • Classroom materials, lunch and sports equipment for upcountry schools

TFD together with the "Compassion in Return for Smile" group of volunteers brought school materials and sports equipment as well as treated students a sumptuous lunch at Baan Sairung Learning Center, Sangkhla Buri District, Kanchanaburi Province.



## Principles on the Good Corporate Governance

Realizing that corporate governance helps strengthen trust and confidence among investors, financial institutions, business partners and other stakeholders in the business, the Board of Directors of Thai Factory Development Public Company Limited has adopted the principles of corporate governance (CG) as a guideline for directors, executives and employees to comply with. The Board of Directors has periodically updated the CG principles as well as disseminated this and other information through the Company's website at <http://www.tfd-factory.com>.

The principles on good corporate governance can be divided to eleven important chapters are as follows:

- Chapter 1 Business philosophy
- Chapter 2 The Board of Directors
- Chapter 3 Ethics of the Board of Directors, the management and the employees
- Chapter 4 Reports on the finance, the management and the internal control
- Chapter 5 Risk management
- Chapter 6 Rights of the shareholders
- Chapter 7 Equitable treatment of shareholders
- Chapter 8 Role of the stakeholders
- Chapter 9 Disclosure of the information and transparency
- Chapter 10 Responsibility for the society and the environment
- Chapter 11 The anti-corruption

### Chapter 1 Business philosophy

The Company has the intention to be the best on the organization that does business on real estate development with good management, focusing on increasing the operation to be flexible with the capability in competition and can operate with optimization to the involved persons, including the stakeholders. Moreover, the Company is determined to be an organization with good ethics, transparency and accountability to increase the value to the business and acceptability by everyone involved.

From the said intention the Company has prescribed the philosophy in the business for the Board of Directors, the management and the employees to use as guidelines for the operations. It emphasizes the personnel to have good attitude with the learning behavior and development creatively and consciously on the overall society. The said philosophy consists of the following essence:

#### 1. Main principles in the business operations and good corporate governance

- 1.1 **Accountability** is the responsibility on decision-making and self-action and can explain the decisions.
- 1.2 **Responsibility** is the responsibility toward the duty with adequate capability and effectiveness.
- 1.3 **Equitable treatment** is treating the stakeholders and all parties equally, justifiably and explicable.
- 1.4 **Transparency** is transparent operations that can be verified and the information disclosed to all involved parties.
- 1.5 **Vision to create long-term value** is having the vision to build added value to the business in the long run.
- 1.6 **Ethics** is maintaining the ethical value while doing the business.

## 2. Corporate Values

- 2.1 To the shareholders - It shall do business with sustainable growth and profitability, considering the good return on investment.
- 2.2 To the customers - It shall build satisfaction to the customers by presenting the products and services with high quality at the international-standard level at the fair prices.
- 2.3 To the employees - It shall support the development on capability of working at the professional level continuously with confidence for the life quality of the employees to be equal to the leading companies.
- 2.4 To the community - It shall be responsible for and has participated in development of the environment with good quality life for the community.
- 2.5 To the trade partner - It shall build good relations for mutual interest.

## 3. Corporate culture

- 3.1 Attitude
  - Having the ownership feeling.
  - Focusing the business interest as priority.
  - It is customer-centered.
  - Focusing the organization to have continuous development.
  - Having the conscience on team spirit with the mutual goal that is clear.
- 3.2 Thinking method - Thinking in analytical method with the strategic system and in-line issue.
- 3.3 Working behavior
  - Having the clear framework and working plan.
  - The working method can be adjusted according to the situation.
  - Working in teamwork.
  - Recording and collecting information for analysis and building as knowledge.
  - Having the system to transfer the working method systematically.
  - Knowing how to manage the time.

# Chapter 2 The Board of Directors

## 1. Criteria and procedure for nominating director and the high-level management

### 1.1 State of leadership and independence of the board of directors

- The Board of Directors under the leadership of the chairman shall have the state of leadership and can control the operations of the management efficiently and effectively to achieve the targets that are the heart of the business of the Company by building and increasing the investment value to the shareholders, the government sector, the people and the stakeholders.
- The Board of Directors should consist of independent directors with knowledge and capability, and should convene at least four times per month. The independent directors must access to the financial data and other business sufficiently to express opinions independently, keeping interest of those involved by attending the meeting regularly.
- The Company requires that Chairman and Managing Director be elected from members of the Board of Directors and that they are two different persons where roles and responsibilities relating to policy, performance evaluation and management are separated from each other. Chairman of the Board shall have leadership skills. His major responsibilities are to ensure that the Board is independent from the management, to adopt meeting agendas based on the Board's responsibility and to effectively chair the meeting of the Board of Directors and Shareholders by encouraging all directors to participate at the meeting.



## 1.2 Elements of the Board of Directors and the appointments

- The Board of Directors be comprised of:  
Executive director,  
Non-executive director,  
Independent Director
- The Company aims to have the independent directors to be the most professional possible, but no less than 3 persons.
- The directors should come from the authorities in various fields to integrate the necessary ability, consisted of the persons knowledgeable in real estate development at least 3 persons, at least one legal-knowledgeable person, and one person in accounting and finance.
- Appointments of the directors should comply with the specific agenda, transparency and clarity by disclosed the number of years each director has been with the company in the annual report and the company's website.

## 1.3 Appointments of other committees

- The Independent Committee: The Board of Directors must appoint the independent committee as part of it; from the directors at least 3 persons with 1 person must have knowledge on accounting/finance. The audit committee must have the qualification on independence, according to the notice of the SET on the qualification and scope of operations of the audit committee to inspect/supervise the operations of the Company. It shall report on finance, internal control, selection of the auditor, and consideration on the interest, including reporting on governance of the business of the audit committee. At present, the Company has three members of the Audit Committee with acknowledge for reviewing the Company financial report as follows:

1. Mr. Prasong	Vara-ratanakul	Audit Committee Chairman
2. Mr. Sommart	Sangkhasap	Audit Committee Member
3. Dr. Sutham	Vanichseni	Audit Committee Member

- The Corporate Governance, Nomination and Remuneration Committee: The Board of Directors on 11 November 2010 appointed three independent directors as members of the Corporate Governance, Nomination and Remuneration Committee whose term of office is three years or until they are no longer the Company's directors. The three are fully qualified according to the criteria of the Stock Exchange of Thailand (SET) and the Securities and Exchange Commission (SEC) Re: Qualifications of independent directors. They are:

1. Mr. Prasong	Vara-ratanakul	Corporate Governance, Nomination and Remuneration Chairman
2. Mr. Sommart	Sangkhasap	Corporate Governance, Nomination and Remuneration Committee
3. Dr. Sutham	Vanichseni	Corporate Governance, Nomination and Remuneration Committee

The Corporate Governance, Nomination and Remuneration Committee should meets at least twice during the year for consideration of any matters to achieve their responsibilities assigned by the Board.

In addition, the Board of Directors clearly state a policy that independent directors who have served on the Board beyond nine years from the date of their first appointment should be subject to particularly rigorous review of their continued independence.

## 2. Characteristics and qualifications of the Board of Directors

- Having the qualification and disqualification meeting the Public Company Act.
- The Board of Directors will thoroughly review performance of directors sitting in the board of various companies. In other words, each director should not hold directorship in more than five listed companies and non-listed subsidiaries.
- The independent directors must have the qualifications concerning independency, according to the notices of the Stock Exchange of Thailand (SET) and the Securities and Exchange Commission (SEC) Re: Qualification and scope of work of the audit committee, and can oversee the interests of all the shareholders equally, and no conflict of interest between the Company and the management, the major shareholders of other companies, which the management / major shareholders in the same group. Moreover, it can attend the Board meetings and express opinions independently.
- According to the rule and regulation of the Stock Exchange of Thailand (SET) and the Securities and Exchange Commission (SEC) Re: Qualifications of an independent director, determine the structure of Listed Company's Board of Directors that shall be at least one-third of the Board membership is made up of independent directors and the sub directors should be an independent director. The Company is able to determine the qualifications of an independent director over the standard of SET and SEC.
- The independent directors must have the qualifications concerning independency from major shareholders, executives, and related person or director not being as executive of the Company, subsidiary, and associated companies. Those qualifications are comply with the rules and regulations regarding clause 17: qualifications of an independent director of Notification of the Capital Market Supervisory Board No. TorChor. 39/2016 Re: Application for and Approval of Offer for Sale of Newly Issued Shares as follows.

### Qualifications of TFD's independent director

1. Holds shares not exceeding 1% of the total shares with voting right of the applicant, its parent company, subsidiaries, associates, major shareholders, and controlling parties of the applicant, provided that the shares held by the related parties of such independent director shall be included.
2. Is not or has never been an executive director, employee, staff, advisor who receives salary, nor controlling parties of the applicant, its parent company, subsidiaries, associates, same-level subsidiaries, major shareholders, or controlling parties of the applicant unless the foregoing status ended at least 2 years prior to the date of submitting the application to the Securities and Exchange Commission (SEC), provided that such prohibition shall not include the case that such independent director has ever been official or advisor of the government sector that is the major shareholder or controlling party of the applicant.
3. Is not the person who has relationship by means of descent or legal registration under the status of father, mother, spouse, brothers and sisters, and children. The prohibitive persons also include spouses of daughters and sons of management, major shareholders, controlling party or the person who is in the process of nomination to be the management or controlling party of the applicant or its subsidiary.
4. Have no or never had business relationship with the applicant, its parent company, subsidiaries, associates, major shareholders, or controlling parties of the applicant in respect of holding the power which may cause the obstacle of the independent decision, including not being or never been the significant shareholder, or controlling parties of any person having business relationship with the applicant, its parent company, subsidiaries, associates, major shareholders, or controlling parties of the applicant unless the foregoing status ended at least 2 years prior to the date of submitting the application to the SEC.

The business relationship mentioned under the first paragraph shall include business transaction in ordinary business manner of rent, or lease the immovable property, transaction related to assets or services, or the financial support regardless of being lent or borrowed, guaranteed, secured, by assets, debt, and any otherwise similar performance which causes liability or obligation to the applicant or counter party, have provided that such liability is equal to or exceed 3% of the net tangible assets of the applicant or equal or above 20 million baht, whichever is lower. In this regard, the calculation of such liability shall be in accordance with the calculation method of the value of connected transaction under the Notification of Capital Market Supervisory Board governing the conditions of connected transaction *mutatis mutandis*. The liabilities incurred during a period of 1 year prior to the date of having business relationship with the above party shall be included on calculation of such liabilities.

5. Is not or has never been the auditor of the applicant, its parent company, subsidiaries, associates, major shareholders, or controlling parties of applicant, and is not the significant shareholder, controlling parties, or partner of the auditing firm which employs such auditor of the applicant, its parent company, subsidiaries, associates, major shareholders, or controlling parties of the applicant unless the foregoing status ended at least 2 years prior to the date of submitting the application to the SEC.
6. Is not or has never been the professional service provider, including but not limited to legal service or financial advisor with received service fee more than 2 million baht per year from the applicant, its parent company, subsidiaries, associates, major shareholders, or controlling parties, and is not the significant shareholder, controlling parties, or partner of the above mentioned service firms unless the foregoing status ended at least 2 years prior to the date of submitting the application to the SEC.
7. Is not the director who is nominated to be the representative of directors of the applicant, major shareholders, or any other shareholder related to the major shareholders.
8. Do not operate the same and competitive business with the business of the applicant, or its subsidiaries, or is not a significant partner of the partnership, or is not an executive director, employee, staff, advisor who receives salary, nor holds shares for more than 1% of the total shares with voting right of any other company which operates same and competitive business with the business of the applicant, or its subsidiaries.
9. Is not any otherwise which is unable to have the independent opinion regarding the business operation of the applicant

Such independent director may be assigned by the Board of Directors to make decision in respect of collective decision on business operation of the applicant, its parent company, subsidiaries, associates, same-level subsidiaries, major shareholders, or controlling parties of applicant.

### 3. Main duties and responsibilities of the Board of Directors and Sub-Committees

#### 3.1 Scopes of work of the Board of Directors

1. To review and approve actions as required by the laws
2. To regularly review managing director's performance; to set managing director's remunerations
3. To determine the business's vision and be responsible for the business's operation results and performances of the management by promoting attentiveness and prudence
4. To review and approve major strategies and policies, objectives, financial goals, work plans and to regularly monitor the management for their compliance
5. To set up a reliable accounting system, financial reporting and auditing as well as a process that evaluates the soundness of an internal control system and an internal auditing system to ensure their efficiency and the effectiveness of the Company's risk management, financial reporting and monitoring practices, at least annually as well as disclose the review results in the annual report.



6. To supervise and resolve problems of conflict of interest among stakeholders
7. To oversee the Board of Director's practices to be in line with corporate governance and ethical work practices
8. To be authorized to approve investment items and expenses in projects exceeding Baht 500 million in value which however shall be aligned with relevant regulations of the SEC, the Capital Market Supervisory Board and the SET.

The Executive Board of Directors shall be empowered to approve investment items and expenses in projects for a value not exceeding Baht 500 million. Chief Executive Officer (CEO) will have the authority to do so for projects of which the value does not exceed Baht 300 million; while Managing Director is authorized to approve investment items and expenses not exceeding Baht 100 million in value.

### 3.2 Major responsibilities of the Sub-Committees

The Board of Directors has set up two committees; namely, the Audit Committee and the Corporate Governance, Nomination and Remuneration Committee, whose responsibilities are as follows.

#### 3.2.1 Scopes of work of the Audit Committee

1. To review the Company's financial statements to ensure that it reflects the Company's actual financial status.
2. To review that the Company has put in place an appropriate and effective internal control and internal audit; to approve an appointment, transfer, termination and performance evaluation of head of the Internal Audit Department and to review the Internal Audit Department's independence in its performance and reporting tasks as well as its line of command.
3. To review the Company's compliance with the laws on securities and exchange, the SET's requirements or other laws relating to the Company's business.
4. To review, select, nominate, appoint and propose the auditor's fee and to review the auditor's independence in case the Company's auditor provides other non-audit services which could lead to its lack of independence; to organize a meeting with the auditor without the presence of the management at least once a year in order to seek opinions in various matters from the auditor.
5. To review compliance and information disclosure in the case of connected transactions or any transaction with a potential conflict of interest for the purpose of accuracy and comprehensiveness.
6. To prepare the Audit Committee's annual corporate governance report to be signed by Chairman of the Audit Committee. This report will be published in the Annual Report and sent to every shareholder. The report will feature the number of the Audit Committee's meetings being held during the year, meeting attendance of each of the Committee's members and their opinions in the following issues:
  - Accuracy, comprehensiveness and reliability of the Company's financial statements
  - Adequacy of the Company's internal control
  - Legal compliance with the laws on securities and exchange, the SET's requirements or other legislations relating to the Company's business
  - The auditor's suitability
  - Transactions with a potential conflict of interest
  - Overall opinion or observation that the Audit Committee has received from performing its duty based on the Charter
  - Other information that shareholders and investors should learn based on the roles and responsibilities entrusted by the Board
7. To perform other duties as designated by the Board upon the Audit Committee's approval.

**3.2.2 Scopes of work of the Corporate Governance, Nomination and Remuneration Committee**

The Corporate Governance, Nomination and Remuneration Committee has a duty to recommend, supervise and review corporate governance practices of the Company as well as nominate those qualified as the Company's directors to replace directors resigning on rotation or in other cases. The Committee also reviews an evaluation system of performance of the Board and other committees. It is responsible for a succession plan of the Company's managing director, which will then be reported to the Board for approval or for proposing to the Shareholders' Meeting, as the case may be. The Committee also studies changes and trends of director's remunerations and recommend it as a policy to keep quality people with the Company while acting as an incentive to help expanding the Company. Its jobs are as follows.

1. To review corporate governance policies and practices and business ethics to see if they are sound and adequate; to improve and update such policies
2. To monitor the compliance of a corporate governance policy and business ethics by the Board, the management and staff according to the Company's practices and policies
3. To promote compliance with corporate governance policies and practices and business ethics for continued effect and to ensure that it fits the Company's business
4. To recommend the Company, the Board, the management and workgroups on corporate governance
5. To determine how to nominate director or managing director systematically and transparently
6. To nominate those appropriate as a director or a managing director in case of vacancy for further recommendation to the Board or the Shareholders' Meeting, as the case may be.
7. To recruit future directors to replace those whose term is expired for further recommendation to the Board or the Shareholders' Meeting
8. To nominate director qualified as a member of the Committee for recommendation to the Board in case of vacancy
9. To recommend how to evaluate performances of directors, the Board and the Committee and to follow up with the evaluation
10. To review and propose amendments to the scopes of work and responsibilities of Corporate Governance, Nomination and Remuneration Committee and to determine its remunerations that suit each situation
11. To recommend remunerations of and how to pay remunerations or other benefits to the Board, the Committees and managing director with fair and reasonable criteria and to propose it to the Board for consideration
12. To perform other jobs as entrusted by the Board.

**4. Qualifications and responsibilities of Company Secretary**

The Board of Directors shall appoint a Company Secretary to oversee activities of the Board and to ensure that both the Board and the Company comply with relevant laws, rules and regulations. Company Secretary is to oversee the meeting of the Board and Shareholders as well.

**Qualifications of Company Secretary**

- Understand the Company's business and related roles and responsibilities of Company Secretary's work including having fundamental knowledge in principles of laws and regulations of supervising agencies, the laws on public company and the laws on securities and exchange. Company Secretary is to seek knowledge from experts or legal advisors to strengthen his/her understanding.

- Being knowledgeable; understand and support the Company's operation to achieve the purposes under the principle of corporate governance and best practices on CG
- Refrain from seeking personal interest from the Company's business opportunities; able to keep the Company's secrets; having integrity and taking into consideration all stakeholders; refrain from action that could defame the Company's reputation and harm its image.
- Have excellent interpersonal skills; able to coordinate with both internal departments and external agencies

### Roles and Responsibilities of Company Secretary

- Give basic advice to Directors in respect of laws, orders and regulations of the Company of which the Board of Directors needs to know, as well as to ensure proper and consistent compliance. Report any significant change in matter of laws to directors.
- Organize the shareholders' meeting and Board meeting in accordance with the laws, articles of association and proper practice.
- Prepare and keep documents of the Board of Directors and shareholders; namely registration of directors, invitation letter to attend the meeting of the Board and Shareholders, minutes of the meeting of the Board and Shareholders, annual report and quarterly financial statements
- Keep the reports of interests filed reported by directors or executives and make submission as required by laws.
- Have information and IT reports under his/her responsibility disclosed to supervising agencies in compliance with the laws and the Company's rules and regulations on information disclosure.
- Contact and communicate with general shareholders to keep them informed of various shareholders' rights and Company's news.
- Do any other actions as entrusted

The Company has appointed Mrs. Siriporn Pinprayong, who has proper qualifications as the Company Secretary on 14 November, 2007.

<b>Name</b>	Mrs. Siriporn Pinprayong
<b>Title</b>	Deputy Managing Director, Administration Information Technology, Company Secretary
<b>Education</b>	<ul style="list-style-type: none"> <li>- Master of Arts in English Naresuan University</li> <li>- Bachelor of Science in Business Administration (Finance) Roosevelt University, Chicago, U.S.A.</li> </ul>
<b>IOD Training course</b>	<ul style="list-style-type: none"> <li>- Effective Minute Taking 8/2007</li> <li>- Company Secretary Program 22/2007</li> <li>- Role of The Compensation Committee 1/2006</li> <li>- Role of the Chairman Program 34/2014</li> <li>- Director Accreditation Program SEC/2014</li> <li>- Advanced Audit Committee Program 16/2014</li> <li>- Ethical Leadership Program 2/2015</li> <li>- Risk Management Program for Corporate Leaders (RCL) 5/2016</li> </ul>



## 5. Holding the Board meetings and the receipts of documents and data

- Have the office of the managing director to be the secretary of the Company to hold board meetings, shareholders' meetings, and advice on the various laws that the directors should know.
- The Board set its meeting schedule and agenda in advance and notify each director of the schedule so that each member of the Board can manage time to attend meetings.
- The Board of Directors should dedicate and pay attention to the Company fully, and are ready to attend the meetings regularly at least once every three months, and as necessary. If there is a special agenda, it requires at least one half of the total directors to attend to achieve the quorum. Absence of the Board meetings more than three consecutive times without a reasonable cause shall be regarded as not wanting to be a director anymore.

If the meetings are not monthly, the Board should receive, for the month of not meeting, a monthly report on the company's performance so that it can monitor management performance continuously and promptly.

- No less than two-thirds of all directors shall be present at the meeting of the Board of Directors when a resolution is adopted,
- The chairman should encourage all directors to attend at least 75% of all the Board meetings held during the year.
- The chairman of the Board should give approval on the meeting agenda by consulting with the managing director; however, the managing director should consider a request by some directors to put other important matters in the agenda in the next meeting.
- The chairman of the Board should give confidence that the Board of Directors to allocate the time sufficiently for the management to present documents and information for discussion and adequacy for the directors to discuss the important issues.
- The chairman of the board should have the clear measure for the directors to receive the information involved in advance with sufficient time to study and decide correctly on the matters at each board meeting. Meeting documents will be sent to each director at least five business days in advance of the meeting.
- The Board of Directors can access to additional information, under prearranged by seek documents, data, consulting words, and various services concerning the operations from the high-level management or company secretary and may seek independent opinions from outside consultants as necessary to supplement each meeting, at the company's expense.
- It should prepare the minutes of the Board meetings for clarity and reference.

## The Board of Directors' Meeting attendance in 2016

		Time (s) / Total meeting			
	Name	Board of Directors	Executive Committee	Audit Committee	Corporate Governance, Nomination and Remuneration Committee
1.	Dr. Suthorn Sathirathai	11/11			
2.	Dr. Apichai Taechaubol	11/11	1/1		
3.	Mr. Prasong Vara-ratanakul	11/11		7/7	6/6
4.	Mr. Nan Kitjalaksana *	1/5		1/3	1/3
5.	Dr. Sutham Vanichseni *	6/6		4/4	3/3
6.	Mr. Sommart Sangkhasap	11/11		7/7	6/6
7.	Mr. Gumpol Tiyarat	11/11	1/1		
8.	Mr. Anukul Ubonnuch	11/11			
9.	Mr. Bunyong Visatemongkolchai *	11/11			
10.	Mr. Krittawat Taechaubol *	7/8			

**Remark :** \* Mr. Krittawat Taechaubol The Board of Directors assigned to operate a subsidiary abroad since September 2016.

\* Mr. Nan Kitjalaksana resigned in the position of Director on April 20, 2016

\* Dr. Sutham Vanichseni appointed in the position of Director on April 21, 2016

\* Mr. Bunyong Visatemongkolchai resigned in the position of Director on December 22, 2016

Company Secretary: Mrs.Siriporn Pinprayong (Assistant Managing Director, Administration Information Technology)

## 6. Evaluation of the Board of Directors

### Criteria for the evaluation of the Board of Directors

- The Board of Directors should prepare the self-evaluation form for use as the framework for examination of the operation of the directors constantly.
- The Board of Directors should set its working standards with criteria and evaluation on its operations to compare with the criteria periodically.
- The managing director should participate in explaining the expectations from the board of directors.
- The Board should appoint an external consultant to facilitate a board assessment at least once every three years, and assessment results should be disclosed in the annual report.

### The process and the evaluation of the board of directors

- To comply with the principles of corporate governance, the Board and Sub-Committees have come up with an evaluation form where they will be subject to it once a year. The Board and Sub-Committees conducted a self-evaluation on a group basis by using an evaluation form of the SET and the Institute of Directors as a framework to check and improve the performances of its directors. The evaluation form of the entire Board consists of four topics as follows
  1. Structure of the Board
  2. Strategy and directions of the Company

3. Monitoring and evaluation of the management
4. Responsibilities of the Board
- To evaluate performances of the Board of Directors, self-evaluation surveys of each individual director will be gathered. Results of the evaluations in “appropriate” and “to be improved” columns will be added up and divided by the total number of directors conducting the self evaluation to come up with a percentage of directors who consider relevant practices appropriate or otherwise.

## 7. Board and management training

- The Board of Directors encourages and facilitates directors, executives, Company Secretary and related parties to attend coursework organized by the Thai Institute of Directors (Thai IOD), the Stock Exchange of Thailand (SET), or other independent agencies to improve their performances. Whenever a new director is appointed, the management will provide documents and information proven beneficial to his/her performance including organizing a session to introduce the Company’s nature of business and direction to the new director.
- The Board requires Managing Director to regularly report a succession plan as well as to appoint a successor to replace executives at various levels in case they cannot perform their duty. All the information has already been stated in the Company’s HR policy and HR development plan annually.

## Chapter 3 Ethics of the Board of Directors, the management and the employees

So as to show the intention of doing the business by the Company transparently with merits and responsibility toward the stakeholders, considering the society and the environment, so it should set the Company ethics for the Board of directors, the management, and all the employees to use as guidelines in practice in parallel with the Company rules/regulations as follows:

### 3.1 Ethics of the Board of Directors and the management

For compliance with the above principle the Board of directors and the management to have duty on the ethics as follows:

- 3.1.1 The Board of Directors and the management shall perform the duty according to the laws, objectives and regulations of the Company and the resolutions of the shareholder’s meeting.
- 3.1.2 The Board of Directors and the management must manage for the benefit of the Company, the shareholders, and the employees at present and future, also to maintain the image of the Company.
- 3.1.3 The Board of Directors and the management must manage the job with integrity for the benefit of the Company, the shareholders and the employees at present and future.
- 3.1.4 The Board of Directors must have the important role in control and decision-making on the policy, including appointing the management to manage daily affairs with each side has the responsibility on the duty toward each other to comply with the objectives and rules of the Company. The Board of Directors should give power to the management to do the daily jobs fully without interfering on the operations and no justifiable cause.
- 3.1.5 The Board of Directors and the management must not have conflict of interest or competition with the Company directly or indirectly.
- 3.1.6 The Board of Directors and the management must shall manage the operations avoiding conflict of interest with the Company, so the management is effective and beneficial to the Company, including
  - Not seeking personal interest from the directorship.
  - Not abuse the confidential information of the Company.
  - Not a director in a competing company.
  - Not having interest in signing a contract for the Company.

- 3.1.7 The Board of Directors and the management must manage the job carefully, and not bind the Company that may have conflict with their duty later.
- 3.1.8 The Board of Directors and the management must not seek personal interest from working directly or indirectly.
- 3.1.9 The Board of Directors and the management must work on their duty in full capacity for the maximum interest to the Company.
- 3.1.10 The Board of Directors and the management must not be an important operator or shareholder or having a family member as a director or shareholder in the business or any business in the same condition and being competition or doing business with the Company regardless of for self-interest or for others.
- 3.1.11 The Board of Directors and the management team must not do any kind of management that would conflict with the Company interest or grant advantage to the other person or company for self or other profit.
- 3.1.12 The Board of Directors and the management must determine to protect and eliminate corruption of all kinds based on speediness, clarity and definiteness.
- 3.1.13 The Board of Directors and the management must be independence in decision-making and performance, including creating satisfaction from the correctness of the decision-making by the board of directors and the management.

### 3.2 Implementations by the employees

The Company's business is the real estate development both in the industrial and residential sectors. The Company optimize to the shareholders that it is necessary to maintain professionalism, flexibility and independence to maintain those characteristics further. So the Company has guidelines for the employees as follows:

- 3.2.1 S/he does the duty with responsibility, integrity, determination, dedication and observation of the rules and policies with interest of the Company as priority.
- 3.2.2 S/he strictly maintains the secrets of the customers, trade partners, and caring not to allow the secret of the Company to the outsiders that may cause damage to the Company.
- 3.2.3 S/he respects in personal rights of other employees, avoiding bringing data or information of other employees concerning the operations and personal matters to disclose or comment in the form to cause damage to employees or overall image of the Company.
- 3.2.4 S/he does not defame or do anything to lead into the internal division which damage the Company or persons involved.
- 3.2.5 S/he maintains and creates unity and team spirit among the employees, and helps to support each other for benefit to the Company on the overall.
- 3.2.6 S/he treats the colleagues with politeness, spirit and good human relations, not concealing necessary data on the operation of the colleagues, and be good cooperate with other people, including giving honor to others, not claiming the work products of others as his own.
- 3.2.7 S/he shall behave and develop himself/herself for benefit themselves and the company by always seeking knowledge and experience to build working ability, adhere to the merits, abstaining from all the vices, not to behave that may cause bad reputation to self and the Company.
- 3.2.8 S/he shall notify the superior or the audit committee if finding the Company or its management or employee to do something in bad faith or corruption.



- 3.2.9 S/he shall pay attention and help in anything to conserve the environment and atmosphere on working, including development of the organization to excellence.
- 3.2.10 S/he should avoid to give / receive things, giving / accepting a party or any benefits from the trade partners or stakeholders of the Company, except for the benefit in doing business in the righteous way of the Company, or in festival or tradition at the suitable value. The recipient shall consider if the gift received in the monetary form or things with high value shall notify the superior or return it.

## Chapter 4 Reports on the finance, the management and the internal control

- The committee should report on the status evaluation and trend of the Company, summarizing in the terms that is easy to understand in the annual report of the Company.
- The Board of Directors must prepare the balance sheet, profit and loss statement and report of the auditor together with the annual report of the Board of Directors presented to the shareholders in the annual general meeting (AGM) for approval.
- It shall prepare the administrative report on analysis in various forms as the Board of Directors required, other than the financial and audit reports.

### The audit committee and the auditor

- The Board of Directors should provide the system that is official and transparent in maintaining relation with the internal and external auditors with the audit committee as the coordinator.
- The external auditor should confirm independency of himself each year to the audit committee, and the various methods used in the auditing office for confidence of independency of the external auditor.
- The auditor is entitled to verify the reports or other financial reports that the Board of Directors issues together with the financial report that it has audited, and can report the abnormality in the report that is inconsistent with the audited financial statement.
- The audit committee has the duty to be responsible for the review and the financial report.
- The remuneration on the audit and other fees paid to the auditor should be disclosed separately in the financial statement for transparency and independency of the auditor.

### Internal Control

Realizing the significance of internal control and regular supervision, the Board has designated the Audit Committee to review and assess the internal control process. The Internal Audit Department which is independent from the management shall directly report the Audit Committee to ensure efficient and effective performance. The efficiency of the internal control system is regularly assessed.

The audit should cover everything including the financial control, operations, governance and compliance control, risk management, and priority to the unusual items.

## Chapter 5 Risk management

The Company assesses both internal and external risks that could affect its operation. It analyzes and ranks major risks based on impacts and potentials of the risks to strike each business process as a means to adopt a risk management plan. In addition, risk factors and circumstances are closely monitored.

Set up teamwork or clearly authorize to the unit within the Company for verifying and governing of the risk management such as financial risks, operation risks, business risks or event risk, etc. and Preparing the risk management report to be presented to the Board of Directors.

In addition, the Board of Directors also discloses risk management practices and risk factors in the Company's Annual Report and every time the level of risk exposure changes. This includes giving priority to advanced warning signals and unusual transactions. The Board of Directors also reviews the adequacy of the risk management process and risk management efficiency at least once a year or as deemed necessary.

## Chapter 6 Rights of the shareholders

The Company recognize shareholders rights and avoid any action that violates those rights as well as encourage shareholders to exercise their right for controlling the Company by appointing the Board of directors to act as their representatives. Shareholders are eligible to make decisions on any significant corporate changes.

- The Board of Directors publicly disclose policies to encourage all shareholders, especially institutional ones, to attend the company's shareholders meeting.
- The Company provides shareholders, in advance of meetings, with the date, time, venue, and all agenda items with the rationale or explanation for each agenda item or resolution in the notice of the annual general meeting or extraordinary general meeting or circulars and/or the accompanying statement.
- The chairman of the meeting should allocate the time appropriately and promote expression of opinions and inquiries at the meeting, including allow shareholders to send their questions to the company prior to the meeting date. Investors can be clearly informed in advance of the determined criteria for accepting advance questions and the process for submitting them on company's website.
- The Board of Directors encourage shareholders are specify their votes by allow shareholders to appoint an independent director as their proxy.
- The Board of Directors encourage the company to use secure, fast, precise, and accurate technology in the shareholders meeting, including in recording attendee registration, printing ballots and processing voting results.
- Each director, especially the chairman of the Board/chairman of the committees should attend the meetings of the shareholders to answer the questions by the meeting attendants.
- The shareholders should have the right to vote for each item proposed, and the Board of Directors should not bundle many unrelated businesses for approval in one resolution. In addition, there are no bundling of several items into the same vote; for example, election of directors.
- The Company appoints an independent party of scrutineers/inspectors to count and/or validate votes the annual general meeting or extraordinary meeting. This scrutineer shall be disclosed at the meeting and recorded in the minutes.
- For the sake of transparency, the Board encourage the use of voting cards for important agenda items such as related party transactions or disposal of significant assets.
- The Board make publicly available on company's website by the next working day the result of voting during the annual general meeting or extraordinary general meetings for all resolutions.

## Chapter 7 Equitable treatment of shareholders

The Board of Directors provides convenience at the shareholders meetings with equal treatment for all, nothing to limit the information of the Company, and attend the meetings of the shareholders.

- The Company releases its annual general meeting notice, with detailed agenda and explanatory circulars, at least 30 (thirty) days before the date of the meeting. Moreover, the company's notice of shareholders meeting will be fully translated into English and published at the same time as the local language version.

The Company will deliver an invitation letter to attend the meeting to shareholders at least seven days before the meeting date or as required by the Office of the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET).

- The Company informs shareholders of meeting procedures and voting criteria, including the voting rights attached to each class of shares. If a shareholders in a management position wishes to add any agenda item, he/she should notify other shareholders in advance, especially if it is an issue that will require shareholders to spend a good deal of time to study before deciding.
- The Board, in advance of the meeting date, have pre-determined criteria on allowing minority shareholders to propose any agenda item and on screening those propose by them. The Board establish procedures for the nomination of candidates by minority shareholders. One alternative is to nominate via the company's nomination committee three to four months prior to the meeting date. Supporting information, candidates' qualifications and their consent, should be provided by the minority shareholders nominating the candidates.
- The process used in election of directors allow shareholders to vote on individual nominees.
- The Board has adopted a policy that requires any director having an interest in any agenda to refrain from attending the meeting in that agenda. Directors are to report their interests at least before the agenda starts which shall be recorded in the minutes of the Board of Directors' Meeting.
- The Company has a policy to continue executing connected transactions carried out at the moment in the future subject to the corporate governance principle where conditions of the transactions will be aligned with what is done during ordinary course of business and at a market price which can be comparable to a price offered to the third party. In addition, the Audit Committee will take part in the process to review the soundness of the connected transaction's price and its rationality.
- The Board of Directors will comply with the laws on securities and exchange as well as regulations, announcements, orders or requirements of the Office of the Securities and Exchange (SEC), the Capital Market Supervisory Board and the Stock Exchange of Thailand (SET) when executing a connected transaction possible taking place in the future. The Board will also comply with requirements to disclose information of connected transactions as well as the acquisition or disposal of major assets of the Company and subsidiaries. It is anticipated that a volume of the Company's connected transactions to be executed in the future will remain relatively the same as what's happening now. However, this volume is subject to change based on what's necessary and proper to the business of the Group.
- If the Company or subsidiaries execute a connected transaction with a person with potential conflict of interest, a stakeholder, or a person who could have a conflict of interest in the future, the Company will have the Audit Committee express its opinion regarding the transaction's necessity and soundness. If the Audit Committee doesn't have any expertise to review such connected transaction, an independent expert or an auditor of the Company will provide an opinion instead for the Board or shareholders, as the case may be, to use in their decision-making process. The Company will disclose connected transactions in notes to the financial statements audited or reviewed by the Company's auditor.
- There are written procedure concerning the use and protection of inside information. The Board establish these procedures and communicate them to everyone in the company. Every director and executives regularly submit to the Board a report on their ownership of the company's shares and this information will be disclosed in the firm's annual report.

## Chapter 8 Role of the stakeholders

- The Board of Directors should be aware and gives confidence that the stakeholder of the Company shall be taken care fully.
- The Board of Directors should report the non-financial data that shows the stakeholder are taken care and considered very well in making a decision for the Company.
- The Board of Directors should specify fully who are the stakeholders, and rank their priority for consideration without any mistake or failure in business operation at the end.

The role of the stakeholders of the Company is as follows

### 8.1 Responsibility for the shareholders

The Company is determined to be the good representative of the shareholders to do business to build highest satisfaction for the shareholders, considering the value growth of the Company in the long run and good return on investment continuously at the suitable level. It shall do transparently; build confidence of the accounting system to comply with the said principle, so it embraces these guidelines:

- 8.1.1 The Company's growth of value in the long run
  - It performs the duty with integrity and fairness to the major and ultimate shareholders for overall maximization.
  - It manages by using the knowledge, ability and skill fully, including carefulness and prudence in the decision to do in any cases.
  - It does not do anything to cause conflict of interest to the Company.
- 8.1.2 Disclosure of information
  - It reports the status and the future trend of the Company to the shareholders equally, regularly and fully as it actually happens.
  - It shall not seek self-interest and from the involved persons, using any value of the Company not disclosed to the public.
  - It does not disclose confidential data to the outsiders, which may cause adverse effects to the Company.

### 8.2 Relationship with the customers

The Company is determined to create satisfaction and confidence with the customers to receive the good products and service with the quality at the suitable price, including maintaining good and sustainable relations, so it has set the guidelines as follows:

- 8.2.1 Produces quality goods and service with determination to develop the standard of the goods to have higher quality continuously, and reveal the information on the goods and service correctly and completely, no distortion of facts and keeps up with the event.
- 8.2.2 Gives warranty on the goods and service under the suitable conditions.
- 8.2.3 Produces the system for the customers can complain on the goods, service and operations the best for the goods to receive quick response.
- 8.2.4 Do not make excessive profit compared with the quality of the goods or service in the same type or kind, and do not specify the trade conditions that are unfair to the customers.
- 8.2.5 Complies with the terms and conditions with the customers strictly, if it cannot do it, it must notify the customers in advance to consider jointly finding guidelines on correction.
- 8.2.6 Keeps the secret of the customers seriously and constantly, including not using for self-interest and for the involved persons illegally.



### 8.3 Relations with its trade partners, competitors and creditors

The Company shall consider the equality and integrity in the business operations and the interests jointly with its trade partners, as they shall comply with the laws and rules strictly and good ethics in the business operations. While the business that is in competition, the Company shall adhere to the rules on good competition and guidelines and fairness in borrowing from the creditor and repayment. So as to comply with the said principle the Company has specified practical guidelines as follows:

#### 8.3.1 Relations with the trade partners

- It shall not demand or receive or pay for the benefit of any in bad faith from its trade partners.
- It shall comply with the existing conditions strictly with partners.
- In case of cannot comply with the conditions, it shall notify the trade partners in advance to jointly find the guidelines on solving the problems with justification.

#### 8.3.2 Relations with the trade competitors

- It shall comply with the rules on good competition.
- It shall not try to destroy the reputation of the competitor by slandering and baseless allegation.

#### 8.3.3 Relations with the trade creditors

- It shall maintain and comply with the conditions with the creditors strictly on repayment and care of securities, guarantees and other conditions, including not using the funds received from loans to be contrary to the objective in the agreement made with the lenders.
- Report the financial status to the creditors with honesty.
- Report to the creditors in advance if it cannot comply with the obligations in the contract, and try to find guidelines on a joint solution.

### 8.4 Responsibility for the employees

The Company shall regard the employees are a factor to its success, so it determines to develop, build culture and good atmosphere, including promoting teamwork for confidence of the employees. So they can do sustainable work with the Company, so it specifies the guidelines as follows:

- 8.4.1 The employees receive fair remuneration in the form of salaries and/or annual compensation, including the various fringe benefits.
- 8.4.2 Cares for the working condition with safety for the life and property of the employees.
- 8.4.3 Appoints and transfers, including gives rewards and makes disciplinary action with equality, honesty and justification based on the knowledge, ability and suitability, including making or performing for the employees.
- 8.4.4 Gives priority on development and transfer of knowledge and ability of the employees by giving opportunity to the employees widely and regularly.
- 8.4.5 Listens to the ideas and propositions from the employees at all levels equally and equitably
- 8.4.6 Complies with the laws and regulations concerning the employees strictly.
- 8.4.7 Manages by avoiding anything unfair, which may have effects on the duty stability of the employees.
- 8.4.8 Treats the employees with politeness and respect equally for everyone.
- 8.4.9 The employees have an opportunity to notify on illegality of the Company by reporting to the superior or the audit committee.

## Chapter 9 Disclosure of the information and transparency

The role of the Board of Directors concerning the disclosure of information and transparency

- The Board of Directors has the duty to disclose information on financial and non-financial report sufficiently, reliably, and in time for the shareholders and the stakeholders to receive the information equally as prescribed by the law, regulation and the public sector involved.
- The Company should be prepared the corporate information carefully, clearly, and compactly, using simplified language with transparency. Regularly disclose of important information on both positive and negative sides which carefully not to cause users misunderstanding and confuse of factual information.
- Providing an investor relations unit to publicizes/communicates data that is beneficial to the shareholders, the investors, the securities analysts, and the involved persons to know the information of the Company.
- The Board of Directors should provide sufficient resources to help develop capability of the management in presenting information and communications.
- In addition to disclosing information as specified in regulations the SET, annual statements (Form 56-1), and annual reports, the Board disclose information, both in Thai and English, via company's website. All disclosed information will be up-to-date, the minimum information as follows:
  - Objectives of the Company.
  - Financial status and operation results of the Company (current and at least one prior year)
  - Direct and indirect shareholding structure and the right to vote.
  - List of the directors, committees, the senior management and their remuneration.
  - Factors and policies on risk management that is visible, concerning the operations and finance.
  - Issues with essence concerning the employees and the stakeholders.
- The Board encourage the company to make a Management Discussion and Analysis (MD&A) for each quarterly financial statement, to help investors better understand changes in the company's financial status and performance each quarter, not just be presented with the figures by themselves.
- It should unveil in the annual report on the number of times that each of the directors and/or the subcommittees attends the meetings, compared with the number of times of the Board meetings and/or subcommittees each year, including ongoing professional education or training of its directors, are disclosed in the annual report.
- The Board should ensure that audit and non-audit fees are disclosed.

## Chapter 10 Responsibility for the society and the environment

Having a vision to be a business with social and environmental responsibility, the Company has set up a working committee to oversee environmental management issues when conducting business. A social responsibility strategy has been concretely adopted to maximize the management of various projects by improving environmental protection processes and practices and by conducting an environmental impact assessment before a project starts. The Operation Department may directly report the Corporate Governance, Recruitment and Remunerations Committee when necessary but a performance report must be made at least once a year. In addition, a business review will be conducted from the perspectives of social responsibility, risk assessment and effects to sustainable growth where plan and practices to respond to the issue of social responsibility will be strategically adopted. The Company and its subsidiaries are responsible for pursuing business on the basis of policies and plans adopted within the framework of social responsibility. We are also responsible for strengthening our knowledge and understanding within our responsible context through the monitoring and the reporting. As a result, we have come up with the following practices with a view to pursue a sustainable business development:

- 10.1 To consider the option with minimum impact on the society, environment and life quality of the people by using the benefits from natural resources.
- 10.2 To support the creative activities for the society and environment regularly from the Company's profit.
- 10.3 To inculcate the conscience of social responsibility and the environment among the employees at all levels continuously and earnestly.
- 10.4 To give priority of all transaction deal with the trade partners who has the same goal in society and environment.
- 10.5 To treat and cooperate or control for strict treatment, according to the intention of the law and regulations, issued by the corporate governance section.
- 10.6 To regard it as a main duty and policy to give priority to the activities of the community and society, aiming for development of society, the environment, creativity and conservation of the good natural resources. Including supporting education to the youth, support public activities that benefit the deprived communities to be stronger, self-reliant, under the self-sufficient economy with creativity to skill and development of occupation to the general communities.

## Chapter 11 The anti-corruption

To assure that we have put in place appropriate policy, practice and requirements to prevent corruption possibly incurred from our business activities and to encourage thorough decisions and actions that could potentially be exposed to corruption risk, the Company has adopted an anti-corruption policy in writing as a clear practice for our operation and for sustainable corporate development.

### Roles and Responsibilities

- 1) The Board of Directors has roles and responsibilities to adopt a policy and to supervise a system that will effectively support anti-corruption practices. This is to create awareness among the management of the importance of this practice and thereby promote it as a corporate culture.
- 2) The Audit Committee has roles and responsibilities to audit financial statements and the systems of financial and account reporting, internal control, internal audit and risk management for compliance with international standards while making sure that they remain precise, sound, sophisticated and effective.
- 3) Managing Director, the management and executives have roles and responsibilities to set up a system that will help supporting and communicating an anti-corruption policy to employees and related parties. They are also to review the soundness of the measures to reflect business, legal and regulatory changes.
- 4) An internal auditor has roles and responsibilities to audit and review compliance with policy, practice, authority and regulatory rules and laws to ensure that the Company has indeed an adequate and appropriate system against potential corruption risk. The internal auditor directly reports to the Audit Committee.

#### Practices

- 1) Directors, executives and employees at all levels are to comply with the Company's anti-corruption policy where they shall neither directly nor indirectly be involved in corruption.
- 2) Employees must not remain ignorant if witnessing action potentially qualified as corruption in relation to the Company. They shall report the incident to supervisors or responsible persons and cooperate with the examination process. In case of doubt or question, employees should consult with supervisors or persons designated to be responsible for such policy compliance through available channels.
- 3) The Company will protect and fairly treat employees who report or refuse to be involved in corruption in relation to the Company through measures designed to protect whistleblowers of corruption.
- 4) Corrupting is an offense and is subject to disciplinary actions based on the Company's regulations. Besides, corrupted persons may be subject to legal punishment if the action is found illegal.
- 5) The Company underlines the importance of disseminating anti-corruption information and knowledge and making the third party collaborating with the Company or whose action could affect to the Company comply with this anti-corruption policy.
- 6) The Company commits to promote and nurture the corporate culture that corruption is unacceptable when conducting transactions with either the public or private sectors.

#### Reporting of grievances and whistle-blowing

The Board of Directors has adopted whistle-blowing or grievance measures which allow employees or stakeholders to file complaints against legal violation, corrupted malpractice or improper behavior of the Company's personnel. In addition, measures to protect them are also adopted to enable stakeholders to effectively help protecting the Company's interests.

#### Issues to be reported

- Legal violation, corruption against the Company's regulations, wrongdoings committed by directors, executives and employees
- Unusual items in financial statements; defected internal control system
- Matters that could jeopardize the Company's interests or reputation

#### Channels of Grievance

Company's website:	www.tfd-factory.com
Email:	cs@tfd-factory.com
Address:	Thai Factory Development Public Company Limited 18, Soi Sathorn 11, Yaek 9 TFD Building, Kwaeng Yannawa, Sathorn District, Bangkok 10120 Tel. 0-2676-4031-6

All grievances will go through independent directors or members of the Audit Committee for investigation of the matter based on a process already adopted by the Company before reporting the result to the Board



#### Whistleblower Protection Mechanisms

- A database of confidential information received from whistleblowers will be established. Only executives from Deputy Managing Director and over will be authorized to access the database.
- It's the duty and responsibility of supervisor and head of the person whose action is reported to protect whistle-blowers, witnesses and collaborators from being exposed to danger, threat or injustice resulted from such reporting, from being the witness or from confiding the information.

## Policy on internal control

### 1. Objective of the internal control

“Internal Control” is the process of working or implementing the job that the board of directors and personnel of all levels of the Company provided for confidence with justification on the operations of the Company to achieve the following objectives:

- The operations shall have efficiency and effectiveness by achieving the goal of the Company, including caring not to lose or misuse the assets.
- The financial reporting must be accurate and in-time presentation.
- The compliance with policies, rules, and regulations shall be performed the duties strictly to the rules and regulations of the Stock of Exchange of Thailand, or laws relating to business of the company.

### 2. Importance of the internal control system

The internal control system is the important mechanism that gives confidence with justification to the management for:

- Helps to reduce the business risk.
- Helps to do business effectively with suitable allocation of the resources and achieve the established goal.
- Help to prevent corruption, protect misusing, and safeguard and care of property.
- Helps to assure the reliability of the financial statement.
- Helps the personnel to comply with the laws and rules involved.
- Helps to give protection on the investment of the shareholders.

The internal control is the main factor behinds the success of all business either in government or private sectors. The management as the leader, must perform their duties in responsible to various elements and environment of their units. In additional they should:

- Encourage team work mind-set to the subordinates of all levels to be aware of the importance to coordinate and comply with constantly and continuously. So the measures and mechanisms of the internal control system set up by the management to accomplish the established objective.
- Regularly monitoring and evaluating of internal control in order to obtain suitable strategies and mechanism under the variation in difference circumstance of risks.

The internal control, regardless of design or implementation, shall give only confidence at the reasonable level, as it can protect from loss, waste or accomplishment and effectiveness. However, it can not assure or give confidence of the business success, because the internal control has several limitations, which mostly involving with the human behavior.

### 3. Policy on internal control of the Company

3.1 The Company commit that its management must aware with the important of internal control is sufficiently efficient to acceptable risk level and suitable with the circumstances of the job or activity of that units. It divides the duties and responsibilities concerning the internal control of the Company as follows:

- 3.1.1 The board of directors as well as the audit committee must perform their duties and responsibilities to provide the effective internal control system, to manage and control of risks in the suitable level. Specifying the policy concerning to the internal control system, risk management, and monitoring of the evaluation constantly that whether or not the established system goes as planned. However, the

audit committee has the duty to review that the elements of the internal control system of the five aspects are comply with effectiveness as follows:

- The business has good control environment.
- The business has proper procedure of risk assessment.
- The business has good control on activities
- The business has good system on information and communications.
- The business has good system on monitoring and evaluation.

3.1.2 The management has duty and responsibility to fulfill the policy which the board of directors has delegated, so the Company determining the management must be treated as it important of the internal control. The management has direct duty and responsibility to provide the internal control system in the company, including works or various activities of all levels or latent in the business methods of the management function by:

- The senior management shall provide the internal control that covers all elements in the Company, encouraging the subordinates discipline and good conscience on the internal control.
- The middle management shall provide the internal control with the responsibility to evaluate the efficiency of the internal control, adjust the system to be complete and review on its compliance.

3.1.3 The employees of all levels must perform their duties by complying with all laws, regulations, rules, announcement, policies, plans, measures, and the internal control system, the management has established. Conduct their duties honestly with care in the performance, and regularly provide the implementation that ensures the efficiency of internal control system. As a result, the operations shall comply with the goal effectively and economically. All the employees must have the conscience to be aware of the importance of the internal control.

3.1.4 Internal control, the internal auditor has duties and responsibilities of evaluation the internal control, and examination the operating system, periodically and regularly. Updating and assuring that the various control measures are suitable with all significant situation, circumstance, and incidence of risk, with the objective to assist and recommend the senior and middle managements to provide the efficient internal control in the company's business units as the policies:

- The internal auditor is independent and perform their duties in a more effective manner as it deems appropriate according to the profession standard of the internal control
- The internal auditor has the right to request for checking the assets and activities, including the books, accounting, supplementary documents on the records, bookkeeping, correspondences and reports involved.
- The internal auditor can ask the audited units to give data, explanations and delivery of the documents on the audited matters.

However, the personnel of all levels must provide full cooperation to give the availability of information, resource, and material needed by the internal and external auditors which their duties is examination and evaluation to ensure that the internal control sufficient and effective as intended to respond with the company goal, and give recommendation for improvement , as it deems appropriate.

## Risk management

When doing business, the Company had to confront several risks and uncertainties which can materially affect its incomes, profits, assets, liquidity and share price. Since today's connection between financial and economic activities has been very sophisticated, the Company therefore had to adjust itself to face with economic dynamism that could affect the Company's business direction, strategy, decision and operation. As a result, to minimize business volatility, Thai Factory Development Public Company Limited has adopted a risk management process in writing covering product risk, income risk as well as risk from natural disasters, competitions, finance and lending both at the management and operational levels for use as a direction to achieve its goal.

Aside from these risks, there could be other risks that the Company is not aware of or cannot yet identify at the moment. Besides, certain risks that it believes having no material effect at the moment may become significant in the future. As a result, stakeholders should consider both the impacts and possibilities and other possible risk factors that the Company may confront aside from those stated here.

1. Employees at all levels shall be responsible for risk management. They must be aware of operation risk both in their functions and within the organization where risk management shall be carried out in a way that there is enough management and that risk is kept at an appropriate level.
2. Risk management shall be an important tool to manage the Company where the risk management system shall be part of a decision-making process, strategic planning as well as the Company's action plan and operation. The risk management system shall also be highlighted for the Company to achieve its objectives, goals, visions, mission and strategies. Personnel of all levels must understand and collaborate in the implementation of risk management for a good corporate image, to strengthen its corporate governance (CG) practice and operation excellence and to boost confidence of shareholders or stakeholders.
3. Financial and non-financial causes of risk that could affect the Company shall be identified and risk shall be reviewed whenever there is change of risk factors affecting the Company's investment funds.
4. Types of risk and acceptable levels of risk shall be identified for use as criteria to respond to the Company's risks.
5. Risk prevention and mitigation guidelines shall be adopted to avoid possible damage or loss. In addition, the Company shall regularly monitor and evaluate risk management results quantitatively and qualitatively for better accuracy.
6. The Company shall introduce a sophisticated information technology (IT) system to manage the Company's risks and it should enable personnel at all levels to extensively access risk management information. Besides, the Company should put in place a risk management report mechanism to allow the Board to efficiently manage the Company's risks.

In addition, the Company has determined roles and responsibilities and approval authority regarding risk management. It has already posted the risk management policy and procedures on its website for everyone's compliance. Besides, a risk management report has been prepared and submitted to the Board for refinement of the Company's risk management plan.



## Report from the Audit Committee

In 2016, Thai Factory Development Public Company Limited complied with the following requirements set by the Stock Exchange of Thailand and as entrusted by the Board of Directors. Details are :

1. The Audit Committee convened Seven times in 2016. The meeting was attended by all members of the Audit Committee. The auditor meanwhile attended the Audit Committee meeting at least once a year.
2. The Audit Committee reviewed and approved the 2016 auditing plan of the Internal Audit Department where it focused at strengthening the internal control system, reinforcing adequate auditing in required areas and reporting results of such internal control to the Audit Committee on a regular basis. Having reviewed and assessed the Audit Committee's operation in 2016, the Board of Directors had an opinion that the internal control system was efficient enough to control and supervise the operation of both Thai Factory Development Plc and its subsidiaries and no material defect was found.
3. Both quarterly and annual financial statements of the Company were reviewed to provide full and accurate financial information based on the generally-accepted accounting principles in a timely fashion as well as a true reflection of the company's financial status before they were submitted to the Board of Directors.
4. The Audit Committee reviewed an evaluation form of the adequacy of the Company's internal control system to ensure that it had an appropriate and adequate internal control system to supervise operation based on its business objectives.
5. The Audit Committee reviewed risk management procedures by taking into consideration a risk management policy and a risk management plan and guideline based on prevailing corporate risks. It also regularly reviewed the efficiency and suitability of the Company's risk management system.
6. The Company was requested to be compliant with corporate governance on the basis of the Stock Exchange of Thailand's guideline and to develop its CG practice to match the international standards.
7. The Audit Committee reviewed the Company's compliance with the laws and the authorities' rules and regulations.
8. The Audit Committee reviewed connected transactions and items that could cause conflict of interest as well as ensured that the information was accurately and completely disclosed.
9. The Audit Committee appointed an auditor and set his remuneration before submitting the information to the Board of Directors for proposing to the Shareholders' Meeting for its approval.



(Mr. Prasong Wararatanakul)  
Chairman of the Audit Committee

February 24, 2017

## Independent Auditor's Report

To the Shareholders of Thai Factory Development Public Company Limited

### Opinion

I have audited the accompanying consolidated financial statements of Thai Factory Development Public Company Limited and its subsidiaries "the Group", which comprise the consolidated statement of financial position as at 31 December 2016, and the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and have also audited the separate financial statements of Thai Factory Development Public Company Limited for the same period.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Thai Factory Development Public Company Limited and its subsidiaries and of Thai Factory Development Public Company Limited as at 31 December 2016, their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

### Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Group in accordance with the Code of Ethics for Professional Accountants as issued by the Federation of Accounting Professions under the Royal Patronage of His Majesty the King as relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

I have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report, including in relation to these matters. Accordingly, my audit included the performance of procedures designed to respond to my assessment of the risks of material misstatement of the financial statements. The results of my audit procedures, including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying financial statements as a whole.

Key audit matters and how audit procedures respond for each matter are described below.

*Allowance for diminution in value of project development cost*

As at 31 December 2016, the Group had an outstanding balance of project development cost totaling Baht 6,619 million, or 68% of total assets (Separate financial statements: Baht 3,501 million or 44% of total assets), as disclosed in Note 11 to the financial statements. The estimating the allowance for diminution in the value of project development cost is an area of significant management judgement. This requires analysis of the competitive environment, economic circumstances and the situation within the industry. There is a risk with respect to the allowance for diminution in value of project development cost.

I gained an understanding of the process of the Group relevant to the determination of allowance for diminution in value of project development cost. I assessed the method and the assumption applied by the management in determining the provision for diminution in value of project development cost. In addition, I compared proceeds from sales transaction occurring after the date of the financial statements with the costs of each development project, and for those property projects of which the fair value has been appraised by an independent appraiser, I reviewed the assumptions and method applied by the independent appraiser in determining the fair value.

*Compliance with covenants stipulated in borrowing agreements*

As at 31 December 2016, the Group had bills of exchange, promissory notes, loans from financial institutions and debentures totaling Baht 6,768 million or 90% of total liabilities (Separate financial statements: Baht 5,437 million or 97% of total liabilities), as discussed in Notes 18, 20 and 22 to the financial statements. Under the borrowing agreements, the Group needs to comply with certain covenants, if the Group is unable to comply with those covenants, it this may cause the lenders to call the loans and resulted in the reclassification of the liabilities from non-current liabilities to current liabilities, which could impact on the going concern of the Group.

I read the borrowing agreements and gained an understanding of the process of management's monitoring compliance with the various covenants and testing for compliance with both non-financial and financial covenants, including whether financial ratios are in line with those stipulated in the borrowing agreements. In addition, I reviewed the disclosures made with respect to covenants in the notes to the financial statements.

#### Impairment of investment properties

As at 31 December 2016, the Group had an outstanding balance of investment properties amounting to Baht 1,342 million, under cost method. Thai Financial Reporting Standards require the disclosure of fair value of investment properties in notes to the financial statements. The Company hired an independent appraiser to measure the fair value of investment properties, as disclosed in note 16. The measurement of fair value was based on the assumptions and judgement of both the management and an independent appraiser and the measurement of fair value was considered the Group already considered the impairment of investment properties.

I assessed the knowledge, competency and integrity of the independent appraiser, read the appraisal report prepared by the independent appraiser and considered the reasonableness of the approach and assumptions used in the fair value measurement through inquiry with the independent appraiser and the management and performed an analytical review of relevant information.

#### **Other Information**

Management is responsible for the other information. The other information comprise the information included in annual report of the Group, but does not include the financial statements and my auditor's report thereon. The annual report of the Group is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the annual report of the Group, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance for correction of the misstatement.



**Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Thai Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Thai Standards on Auditing, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Miss Watoo Kayankannavee.



Watoo Kayankannavee  
Certified Public Accountant (Thailand) No. 5423

EY Office Limited  
Bangkok: 27 February 2017

## Statements of financial position

Thai Factory Development Public Company Limited and its subsidiaries  
As at 31 December 2016

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2016	2015	2016	2015
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	7	265,412,703	304,157,240	192,021,441	24,201,449
Short-term investment in open-end fixed income fund	8	13,367,402	28,565,139	-	28,565,139
Investment in trading securities	9	201,559,780	51,365,000	201,559,780	51,365,000
Trade and other receivables	10	52,417,079	21,616,456	18,096,702	5,188,257
Short-term loan to and interest receivable from related parties	6	-	180,069,041	2,377,005,789	2,727,560,211
Project development costs	11	6,619,448,294	6,461,079,697	3,500,738,847	3,177,447,619
Deposit for purchase of land		279,360,000	197,066,250	279,360,000	197,066,250
Deposit for purchase of property project	11	80,000,000	-	-	-
Advance payment for construction		59,321,985	29,302,826	-	-
Other current assets		18,701,379	19,252,547	4,789,793	4,432,800
<b>Total current assets</b>		<b>7,589,588,622</b>	<b>7,292,474,196</b>	<b>6,573,572,352</b>	<b>6,215,826,725</b>
<b>Non-current assets</b>					
Restricted bank deposits	12	80,123,647	83,857,672	61,478,203	61,348,252
Long-term loan to and interest receivable from subsidiaries	6	-	-	122,965,316	178,239,446
Investments in subsidiaries	13	-	-	908,477,107	908,477,107
Investments in available-for-sales securities	14	-	208,125,000	-	208,125,000
Leasehold rights	15	324,226,515	364,120,822	42,425,868	43,840,063
Investment properties	16	1,342,477,169	1,392,712,523	-	-
Equipment	17	77,056,389	82,329,871	73,089,824	77,462,761
Deferred tax asset	30	210,746,581	179,113,068	118,914,395	115,945,164
Income tax receivable		39,711,204	37,848,892	4,490,906	2,849,933
Other non-current assets		16,607,433	14,122,686	11,419,867	9,919,867
<b>Total non-current assets</b>		<b>2,090,948,938</b>	<b>2,362,230,534</b>	<b>1,343,261,486</b>	<b>1,606,207,593</b>
<b>Total assets</b>		<b>9,680,537,560</b>	<b>9,654,704,730</b>	<b>7,916,833,838</b>	<b>7,822,034,318</b>

The accompanying notes are an integral part of the financial statements.

## Statements of financial position (continued)

Thai Factory Development Public Company Limited and its subsidiaries  
As at 31 December 2016

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2016	2015	2016	2015
Liabilities and shareholders' equity					
Current liabilities					
Bank overdrafts and short-term loans	18	1,977,453,254	2,191,502,485	1,930,302,335	1,895,853,787
Trade and other payables	19	287,083,946	256,620,823	130,668,340	146,759,726
Current portion of debentures	20	2,242,908,287	1,691,064,708	2,242,908,287	1,691,064,708
Current portion of liabilities under					
finance lease and hire-purchase agreements	21	5,863,856	5,550,655	4,938,147	4,681,385
Current portion of long-term loans from					
financial institutions	22	655,985,088	983,921,968	358,535,293	681,038,450
Current portion of long-term loans					
from related party and interest payable	6, 23	108,762,587	88,138,895	-	-
Interest payable to subsidiary	6	-	-	8,685,112	8,685,112
Income tax payable		13,455,201	6,721,056	-	-
Other current liabilities		8,364,196	13,185,709	1,327,631	704,442
<b>Total current liabilities</b>		<b>5,299,876,415</b>	<b>5,236,706,299</b>	<b>4,677,365,145</b>	<b>4,428,787,610</b>
Non-current liabilities					
Debentures, net of current portion	20	842,854,945	1,392,053,922	842,854,945	1,392,053,922
Liabilities under finance lease and hire-purchase					
agreements, net of current portion	21	3,675,860	7,386,573	3,614,922	6,399,926
Long-term loans from financial					
institutions, net of current portion	22	1,048,930,872	893,589,536	62,935,679	34,063,014
Long-term loans from related party					
and interest payable, net of current portion	6, 23	78,342,007	154,239,829	-	-
Deposit received		226,380,575	47,201,070	-	-
Provisions for long-term employee benefits	24	15,544,960	17,023,508	8,755,223	14,293,986
Long-term provisions	25	2,372,500	2,372,500	2,372,500	2,372,500
Other non-current liabilities		1,975,350	2,003,850	1,271,810	1,411,810
<b>Total non-current liabilities</b>		<b>2,220,077,069</b>	<b>2,515,870,788</b>	<b>921,805,079</b>	<b>1,450,595,158</b>
<b>Total liabilities</b>		<b>7,519,953,484</b>	<b>7,752,577,087</b>	<b>5,599,170,224</b>	<b>5,879,382,768</b>

The accompanying notes are an integral part of the financial statements.



## Statements of financial position (continued)

Thai Factory Development Public Company Limited and its subsidiaries  
As at 31 December 2016

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2016	2015	2016	2015
<b>Shareholders' equity</b>					
Share capital					
Registered					
2,096,335,206 ordinary shares of Baht 1 each (2015: 1,914,911,170 ordinary shares of Baht 1 each)	26	2,096,335,206	1,914,911,170	2,096,335,206	1,914,911,170
Issued and fully paid					
1,630,915,888 ordinary shares of Baht 1 each (2015: 1,283,501,405 ordinary shares of Baht 1 each)	26	1,630,915,888	1,283,501,405	1,630,915,888	1,283,501,405
Share premium	26	1,302,515,693	955,101,210	1,302,515,693	955,101,210
Retained earnings					
Appropriated - statutory reserve	28	50,655,721	50,655,721	50,655,721	50,655,721
Unappropriated (deficit)		(671,114,332)	(345,312,583)	(666,423,688)	(349,126,786)
Other components of shareholders' equity		(269,118,578)	(154,168,738)	-	2,520,000
Equity attributable to owners of the Company		2,043,854,392	1,789,777,015	2,317,663,614	1,942,651,550
Non-controlling interests of the subsidiary		116,729,684	112,350,628	-	-
<b>Total shareholders' equity</b>		<b>2,160,584,076</b>	<b>1,902,127,643</b>	<b>2,317,663,614</b>	<b>1,942,651,550</b>
<b>Total liabilities and shareholders' equity</b>		<b>9,680,537,560</b>	<b>9,654,704,730</b>	<b>7,916,833,838</b>	<b>7,822,034,318</b>

The accompanying notes are an integral part of the financial statements.

## Statement of comprehensive income

Thai Factory Development Public Company Limited and its subsidiaries  
For the year ended 31 December 2016

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2016	2015	2016	2015
<b>Profit or loss:</b>					
<b>Revenues</b>					
Revenue from sale		554,346,868	480,499,755	18,174,600	-
Revenue from rental and services		322,346,907	295,717,805	16,560,321	15,574,280
Other income					
Dividend income		15,617,690	21,226,500	15,617,690	21,226,500
Interest income		8,842,749	27,283,474	139,610,808	151,386,289
Unrealised gain from transfer investments	14	15,525,000	-	15,525,000	-
Gain on changes in value of trading securities	9	50,633,801	-	50,633,801	-
Others		18,935,395	23,389,564	18,148,622	22,414,549
<b>Total revenues</b>		<b>986,248,410</b>	<b>848,117,098</b>	<b>274,270,842</b>	<b>210,601,618</b>
<b>Expenses</b>					
Cost of sale		404,115,660	376,488,000	8,359,003	-
Cost of rental and services		181,139,148	169,157,306	15,683,779	12,398,667
Selling expenses		53,552,828	34,717,842	5,815,644	2,077,904
Administrative expenses		230,350,833	223,965,609	161,341,307	155,282,278
Loss on sales of trading securities	9	54,273,102	-	54,273,102	-
Loss on changes in value of trading securities	9	-	40,462,622	-	40,462,622
<b>Total expenses</b>		<b>923,431,571</b>	<b>844,791,379</b>	<b>245,472,835</b>	<b>210,221,471</b>
<b>Profit before finance cost and income tax</b>		<b>62,816,839</b>	<b>3,325,719</b>	<b>28,798,007</b>	<b>380,147</b>
Finance cost		(391,683,097)	(346,073,877)	(348,842,519)	(313,082,583)
<b>Loss before income tax</b>		<b>(328,866,258)</b>	<b>(342,748,158)</b>	<b>(320,044,512)</b>	<b>(312,702,436)</b>
Income tax	30	10,518,724	41,858,157	2,420,907	56,416,162
<b>Loss for the year</b>		<b>(318,347,534)</b>	<b>(300,890,001)</b>	<b>(317,623,605)</b>	<b>(256,286,274)</b>
<b>Other comprehensive income:</b>					
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>					
Gain (loss) on changes in value of available-for-sale securities	14	(3,150,000)	3,150,000	(3,150,000)	3,150,000
Exchange differences on translation of financial statements in foreign currency		(112,429,840)	31,467,987	-	-
Less: Income tax effect	30	630,000	(630,000)	630,000	(630,000)
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods - net of income tax</i>		<b>(114,949,840)</b>	<b>33,987,987</b>	<b>(2,520,000)</b>	<b>2,520,000</b>
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>					
Actuarial gain (loss)	24	(3,843,949)	-	408,379	-
Less: Income tax effect	30	768,790	-	(81,676)	-
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods - net of income tax</i>		<b>(3,075,159)</b>	<b>-</b>	<b>326,703</b>	<b>-</b>
<b>Other comprehensive income for the year</b>		<b>(118,024,999)</b>	<b>33,987,987</b>	<b>(2,193,297)</b>	<b>2,520,000</b>
<b>Total comprehensive income for the year</b>		<b>(436,372,533)</b>	<b>(266,902,014)</b>	<b>(319,816,902)</b>	<b>(253,766,274)</b>

The accompanying notes are an integral part of the financial statements.

## Statement of comprehensive income (continued)

Thai Factory Development Public Company Limited and its subsidiaries  
For the year ended 31 December 2016

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2016	2015	2016	2015
<b>Profit (loss) attributable to:</b>					
Equity holders of the Company		(322,891,053)	(304,461,765)	(317,623,605)	(256,286,274)
Non-controlling interests of the subsidiary		4,543,519	3,571,764		
		<u>(318,347,534)</u>	<u>(300,890,001)</u>		
<b>Total comprehensive income attributable to:</b>					
Equity holders of the Company		(440,751,589)	(270,473,778)	(319,816,902)	(253,766,274)
Non-controlling interests of the subsidiary		4,379,056	3,571,764		
		<u>(436,372,533)</u>	<u>(266,902,014)</u>		
<b>Earnings per share</b>	31				
Basic earnings (loss) per share					
Loss attributable to equity holders of the Company		<u>(0.2505)</u>	<u>(0.2372)</u>	<u>(0.2464)</u>	<u>(0.1997)</u>

The accompanying notes are an integral part of the financial statements.

## Statement of changes in shareholders' equity

Thai Factory Development Public Company Limited and its subsidiaries

For the year ended 31 December 2016

Consolidated financial statements												(Unit: Baht)
Equity attributable to owners of the Company												
Other components of shareholders' equity												
Retained earnings		Other comprehensive income		Difference from changing investment proportion in subsidiaries	Surplus from business combination under common control	Total other components of shareholders' equity	Total equity attributable to owners of the Company	Equity attributable to non-controlling interests of the subsidiaries	Total shareholders' equity			
Appropriated	Unappropriated (deficit)	Surplus (deficit) on changes in value of available-for-sale securities	Exchange differences on translation of financial statements in foreign currency									
Issued and fully paid-up share capital	Share premium											
1,283,501,405	955,101,210	50,655,721	(40,850,818)	-	(1,417,992)	(45,699,839)	(141,038,894)	(188,156,725)	2,060,250,793	108,778,864	2,169,029,657	

The accompanying notes are an integral part of the financial statements.

# Statement of changes in shareholders' equity (continued)

Thai Factory Development Public Company Limited and its subsidiaries  
For the year ended 31 December 2016

	Separate financial statements					(Unit: Baht)
	Issued and fully paid-up share capital	Share premium	Retained earnings		Other components of equity	
			Appropriated	Unappropriated (deficit)	Other comprehensive income	
					Surplus (deficit) on changes in value of available-for-sale securities	
<b>Balance as at 1 January 2015</b>	1,283,501,405	955,101,210	50,655,721	(92,840,512)	-	2,196,417,824
Loss for the year	-	-	-	(256,286,274)	-	(256,286,274)
Other comprehensive income for the year	-	-	-	-	2,520,000	2,520,000
Total comprehensive income for the year	-	-	-	(256,286,274)	2,520,000	(253,766,274)
<b>Balance as at 31 December 2015</b>	1,283,501,405	955,101,210	50,655,721	(349,126,786)	2,520,000	1,942,651,550
<b>Balance as at 1 January 2016</b>	1,283,501,405	955,101,210	50,655,721	(349,126,786)	2,520,000	1,942,651,550
Increase of share capital (Note 26)	347,414,483	347,414,483	-	-	-	694,828,966
Loss for the year	-	-	-	(317,623,605)	-	(317,623,605)
Other comprehensive income for the year	-	-	-	326,703	(2,520,000)	(2,193,297)
Total comprehensive income for the year	-	-	-	(317,296,902)	(2,520,000)	(319,816,902)
<b>Balance as at 31 December 2016</b>	1,630,915,888	1,302,515,693	50,655,721	(666,423,688)	-	2,317,663,614

The accompanying notes are an integral part of the financial statements.



## Cash flow statement

Thai Factory Development Public Company Limited and its subsidiaries  
For the year ended 31 December 2016

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
<b>Cash flows from operating activities</b>				
Loss before tax	(328,866,258)	(342,748,158)	(320,044,512)	(312,702,436)
Adjustments to reconcile loss before tax to net cash provided by (paid from) operating activities:				
Allowance for doubtful accounts (reversal)	(3,303)	2,576,494	(3,303)	(17,510)
Depreciation and amortisation	112,068,301	103,099,735	13,512,133	13,578,749
Realised gain on sale of open-end fixed income fund	(1,115,871)	(5,128,432)	(844,366)	(5,128,432)
Unrealised gain on open-end fixed income fund	(95,898)	(64,812)	-	(64,812)
Realised (gain) loss on sale of trading securities	54,273,102	(233,256)	54,273,102	(233,256)
Unrealised (gain) loss on trading securities	(50,633,801)	40,462,623	(50,633,801)	40,462,623
Unrealised gain from transfer investments	(15,525,000)	-	(15,525,000)	-
Loss on sales and write off of equipment	32	58,614	32	58,613
Provision for long-term employee benefits	7,976,830	5,330,876	7,273,166	4,480,342
Dividend income	(15,617,690)	(21,226,500)	(15,617,690)	(21,226,500)
Interest income	(8,842,749)	(27,283,474)	(139,610,808)	(151,386,289)
Interest expenses	391,683,097	346,073,877	348,842,519	313,082,583
Profit (loss) from operating activities before changes in operating assets and liabilities	145,300,792	100,917,587	(118,378,528)	(119,096,325)
Operating assets (increase) decrease				
Trade and other receivables	(30,129,642)	4,278,479	(12,219,698)	3,825,908
Project development costs	(231,983,958)	(1,153,265,762)	(235,571,978)	(707,087,972)
Deposit and advance payment - unrelated parties	(250,013,000)	(197,066,250)	(170,013,000)	(197,066,250)
Advance payment for construction	(30,019,159)	(19,333,589)	-	-
Other current assets	764,412	(3,483,093)	(661,549)	(181,494)
Other non-current assets	(3,257,394)	292,231	(1,500,000)	23,552
Operating liabilities increase (decrease)				
Trade and other payable	29,245,326	(90,813,193)	11,244,266	(41,050,341)
Deposit received	179,179,505	(1,327,000)	(30,000,000)	-
Other current liabilities	(4,821,515)	70,796	623,189	(1,125,996)
Other non-current liabilities	(28,500)	311,350	9,310	(430,000)
Cash flows used in operating activities	(195,763,133)	(1,359,418,444)	(556,467,988)	(1,062,188,918)
Cash paid for long-term employee benefit	(13,299,327)	(216,088)	(12,403,550)	(216,088)
Cash paid for interest expenses	(475,971,224)	(436,295,840)	(343,855,344)	(301,484,627)
Withholding tax received	7,239,602	-	-	-
Cash paid for corporate income tax	(18,678,138)	(15,986,757)	(1,640,973)	(1,752,393)
<b>Net cash flows used in operating activities</b>	<b>(696,472,220)</b>	<b>(1,811,917,129)</b>	<b>(914,367,855)</b>	<b>(1,365,642,026)</b>

The accompanying notes are an integral part of the financial statements.

## Cash flow statement (continued)

Thai Factory Development Public Company Limited and its subsidiaries  
For the year ended 31 December 2016

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
<b>Cash flows from investing activities</b>				
Cash paid for purchase of open-end fixed income fund	(641,000,000)	(945,000,000)	(538,000,000)	(945,000,000)
Cash received from sales of open-end fixed income fund	657,409,505	949,000,000	567,409,505	949,000,000
Cash paid for investments in trading securities	(182,584,606)	(52,593,292)	(182,584,606)	(52,593,292)
Cash received from sales of investment in trading securities	249,250,525	47,089,145	249,250,525	47,089,145
Cash received from the decrease of register share capital from available for sales securities	-	20,025,000	-	20,025,000
Decrease (increase) in restricted bank deposits	285,249	(19,812,280)	(129,951)	(164,766)
Increase in short-term loan to subsidiaries	-	-	-	(620,000,000)
Decrease in long-term loan to subsidiary	-	-	14,554,831	-
Decrease in short-term loans to related parties	180,000,000	140,000,000	471,154,981	-
Cash paid for investment in subsidiaries	-	-	-	(10,000,000)
Increase in leasehold rights improvement	(1,845,528)	(4,146,108)	-	-
Dividend income	15,617,690	21,226,500	15,617,690	21,226,500
Acquisition of investment properties	(1,109,222)	(891,512,557)	-	-
Acquisition of equipment	(4,081,000)	(3,207,016)	(3,770,102)	(2,707,424)
Proceeds from sales of equipment	-	3,103	-	784,522
Cash received from interest	8,244,113	26,884,104	59,044,104	98,844,191
<b>Net cash flows from (used in) investing activities</b>	<b>280,186,726</b>	<b>(712,043,401)</b>	<b>652,546,977</b>	<b>(493,496,124)</b>
<b>Cash flows from financing activities</b>				
Increase (decrease) in bank overdrafts and short-term loans	(222,849,082)	670,000,000	30,000,000	728,000,000
Repayment of liabilities under financial lease and hire purchase agreements	(6,938,612)	(7,178,500)	(5,957,541)	(6,694,345)
Increase in long-term loans from financial institutions	472,200,000	933,023,259	140,000,000	-
Repayment of long-term loans from financial institutions	(545,177,681)	(309,388,507)	(435,729,015)	(256,285,371)
Cash received from issued debentures	1,700,000,000	1,386,387,610	1,700,000,000	1,386,387,610
Cash paid for redemption of debentures	(1,693,500,000)	-	(1,693,500,000)	-
Repayment of long-term loans from related parties	(14,554,831)	(20,000,000)	-	-
Proceeds from increase in share capital	694,828,966	-	694,828,966	-
Dividend paid	(1,540)	(310)	(1,540)	(310)
<b>Net cash flows from financing activities</b>	<b>384,007,220</b>	<b>2,652,843,552</b>	<b>429,640,870</b>	<b>1,851,407,584</b>
<b>Increase (decrease) in translation adjustment</b>	<b>(6,466,263)</b>	<b>17,395,525</b>	<b>-</b>	<b>-</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(38,744,537)</b>	<b>146,278,547</b>	<b>167,819,992</b>	<b>(7,730,566)</b>
Cash and cash equivalents at beginning of year	304,157,240	157,878,693	24,201,449	31,932,015
<b>Cash and cash equivalents at end of year</b>	<b>265,412,703</b>	<b>304,157,240</b>	<b>192,021,441</b>	<b>24,201,449</b>

The accompanying notes are an integral part of the financial statements.

## Cash flow statement (continued)

Thai Factory Development Public Company Limited and its subsidiaries  
For the year ended 31 December 2016

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
<b>Supplemental cash flow information:</b>				
Non-cash transactions				
Transfer deposit for purchase of land to project development costs	87,719,250	46,503,500	87,719,250	38,553,000
Transfer of project development costs to investment properties	214,799,357	-	-	-
Transfer of prepaid expenses to equipment	1,254,555	-	1,254,555	-
Transfer of investments in available-for-sales securities to investments in trading securities	220,500,000	-	220,500,000	-
Purchase of assets under finance lease agreements	2,700,375	1,511,000	2,700,375	1,511,000

The accompanying notes are an integral part of the financial statements.

## Notes to consolidated financial statements

Thai Factory Development Public Company Limited and its subsidiaries

For the year ended 31 December 2016

### 1. General information

Thai Factory Development Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. The Company is principally engaged in the property development. The registered office of the Company is at 18 Soi Sathorn 11 Yaek 9, TFD Building, Yannawa, Sathorn, Bangkok.

### 2. Basis of preparation

2.1 The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Professions Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 28 September 2011, issued under the Accounting Act B.E. 2543.

The financial statements in Thai language are the official statutory financial statements of the Company. The financial statements in English language have been translated from the Thai language financial statements.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

### 2.2 Basis of consolidation

a) The consolidated financial statements include the financial statements of Thai Factory Development Public Company Limited (“the Company”) and the following subsidiary companies (“the subsidiaries”):

Company's name	Nature of business	Country of incorporation	Percentage of shareholding	
			<u>2016</u> Percent	<u>2015</u> Percent
<b><u>Held by the Company</u></b>				
Total Industrial Services Company Limited	Factory rental	Thailand	100.00	100.00
SG Land Company Limited	Office rental	Thailand	49.91	49.91
Crown Development Company Limited	Residential condominium units for sale	Thailand	100.00	100.00
TFD Real Estate Management Company Limited	Being REIT manager	Thailand	100.00	100.00

Company's name	Nature of business	Country of incorporation	Percentage of shareholding	
			<u>2016</u> Percent	<u>2015</u> Percent
<b><u>Held by Total Industrial Services Company Limited</u></b>				
Barnsley Warehouse Limited	Investment in land and warehouse for lease and sale	United Kingdom	100.00	100.00
Bognor Regis Warehouse Limited	Investment in land and warehouse for lease and sale	United Kingdom	100.00	100.00

- b) The Company is deemed to have control over an investee or subsidiaries if it has rights, or is exposed, to variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns.
- c) Subsidiaries are fully consolidated, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
- d) The financial statements of the subsidiaries are prepared using the same significant accounting policies as the Company.
- e) The assets and liabilities in the financial statements of overseas subsidiary are translated to Baht using the exchange rate prevailing on the end of reporting period, and revenues and expenses translated using monthly average exchange rates. The resulting differences are shown under the caption of "Exchange differences on translation of financial statements in foreign currency" in the statements of changes in shareholders' equity.
- f) Material balances and transactions between the Company and its subsidiaries have been eliminated from the consolidated financial statements.
- g) Non-controlling interests represent the portion of profit or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated profit or loss and within equity in the consolidated statement of financial position.

2.3 The separate financial statements present investments in subsidiaries under the cost method.



### **3. New financial reporting standards**

#### **(a) Financial reporting standards that became effective in the current year**

During the year, the Company and subsidiaries have adopted the revised (revised 2015) and new financial reporting standards and accounting treatment guidance issued by the Federation of Accounting Professions which become effective for fiscal years beginning on or after 1 January 2016. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards. The adoption of these financial reporting standards does not have any significant impact on the Company and its subsidiaries' financial statements

#### **(b) Financial reporting standard that will become effective in the future**

During the current year, the Federation of Accounting Professions issued a number of the revised financial reporting standards and interpretations (revised 2016) and new accounting treatment guidance which is effective for fiscal years beginning on or after 1 January 2017. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards.

The management of the Company and its subsidiaries believe that the revised financial reporting standards and interpretations and new accounting treatment guidance will not have any significant impact on the financial statements when they are initially applied. However, one standard involves changes to key principles, which are summarised below.

##### **TAS 27 (revised 2016) Separate Financial Statements**

This revised standard stipulates an additional option to account for investments in subsidiaries, joint ventures and associates in separate financial statements under the equity method, as described in TAS 28 (revised 2016) Investments in Associates and Joint Ventures. However, the entity is to apply the same accounting treatment for each category of investment. If an entity elects to account for such investments using the equity method in the separate financial statements, it has to adjust the transaction retrospectively.

This standard will not have any significant impact on the Company and its subsidiaries' financial statements because the management has decided to continue accounting for such investments under the cost method in the separate financial statements.

#### **4. Significant accounting policies**

##### **4.1 Revenue recognition**

###### *Revenues recognition from real estate sales*

Revenues from sales of land, factory and condominium units are recognised as revenues when significant risks and rewards of ownership of the goods have passed to the buyer, whereby construction works are completed and the ownerships have been transferred to buyers after all payments received from the buyers.

###### *Rental and related service income*

Rental income is recognised as income over the periods of the leases. Service income is recognised when services have been rendered taking into account the stage of completion.

###### *Interest income*

Interest income is recognised on an accrual basis based on the effective interest rate.

###### *Dividends*

Dividends are recognised when the right to receive the dividends is established.

##### **4.2 Cost of property sales**

In determining the costs of land, factory and condominium units sold, the Company and its subsidiaries allocated anticipated total development costs (after recognising the costs incurred to date) are attributed to units already sold on the basis of the salable area and then recognised as costs in the income statements.

Project development costs are stated at the lower of cost and net realisable value. Cost comprises cost of land, design fees, utilities, construction costs and directly related finance cost and expenses.

The Company and its subsidiaries recognise loss on diminution in project value (if any) in the income statements.

##### **4.3 Cash and cash equivalents**

Cash and cash equivalents consist of cash in hand and at banks, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.

#### **4.4 Trade accounts receivable**

Trade accounts receivable are stated at the net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experience and analysis of debt aging.

#### **4.5 Investments**

- a) Investments in securities held for trading are stated at fair value. Changes in the fair value of these securities are recorded in profit or loss.
- b) Investments in available-for-sale securities are stated at fair value. Changes in the fair value of these securities are recorded in comprehensive income, and will be recorded in profit or loss when the securities are sold.
- c) Investments in subsidiaries are accounted for in the separate financial statements using the cost method.

The fair value of marketable securities is based on the last bid price of the last working day of the year. The fair value of investments in unit trust has been determined by using the net asset value as published by the Asset Management companies.

The weighted average method is used for computation of the cost of investments.

In the event the Company reclassifies investments from one type to another, such investments will be readjusted to their fair value as at the reclassification date. The difference between the carrying amount of the investments and the fair value on the date of reclassification are recorded in profit or loss or recorded as other components of shareholders' equity, depending on the type of investment that is reclassified.

On disposal of an investment, the difference between net disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

#### **4.6 Investment properties**

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and allowance for loss on impairment (if any).

Depreciation of investment properties is calculated by reference to their costs on the straight-line basis over the following estimated useful lives:

Building and warehouse for rent	25 years
Improvement of leasehold building	15 years
Office building for rent	28 years

Depreciation of the investment properties is included in determining income.

On disposal of investment properties, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period when the asset is derecognised.

#### 4.7 Equipment/Depreciation

Equipment are stated at cost less accumulated depreciation and allowance for loss on impairment of assets (if any).

Depreciation of equipment is calculated by reference to their costs on the straight-line basis over the following estimated useful lives:

Improvement of leasehold office building	5, 8 years
Furniture and office equipment	5, 8, 20 years
Motor vehicles	5 years

Depreciation is included in determining income.

No depreciation is provided on assets under installation.

An item of equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset is included in profit or loss when the asset is derecognised.

#### 4.8 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

#### 4.9 Leasehold right and amortisation

Leasehold right are stated at cost less accumulated amortisation and any accumulated impairment losses (if any).

Amortisation is calculated by reference to its cost on a straight-line basis over the following leasehold period:

Leasehold rights - land	30, 40 years
Leasehold rights - factory	15 years

The amortisation is included in determining income.

#### 4.10 Related party transactions

Related parties comprise individuals or enterprises that control, or are controlled by, the Company and its subsidiaries, whether directly or indirectly, or which are under common control with the Company and its subsidiaries.

They also include associated companies, individuals or enterprises which directly or indirectly own a voting interest in the Company and its subsidiaries that gives them significant influence over the Company and its subsidiaries, key management personnel, directors, and officers with authority in the planning and direction of operations of the Company and its subsidiaries.

#### 4.11 Long-term leases

Leases of property, plant or equipment which transfer substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in long-term payables, while the interest element is charged to profit or loss over the lease period. The assets acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease period.

Lease of property, plant or equipment which do not transfer substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term.



#### 4.12 Foreign currencies

The consolidated and separate financial statements are presented in Baht, which is also the Company's functional currency. Items of each entity included in the consolidated financial statements are measured using the functional currency of that entity.

Transactions in foreign currencies are translated into Baht at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rate ruling at the end of reporting period.

Gains and losses on exchange are included in determining income.

#### 4.13 Impairment of assets

At the end of each reporting period, the Company and its subsidiaries performs impairment reviews in respect of the assets whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount.

An impairment loss is recognised in profit or loss.

#### 4.14 Employee benefits

##### ***Short-term employee benefits***

Salaries, wages, bonuses and contributions to the social security fund are recognised as expenses when incurred.

##### ***Post-employment benefits***

###### *Defined contribution plans*

The Company and its subsidiaries, and its employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Company and its subsidiaries. The fund's assets are held in a separate trust fund and contributions of the Company and its subsidiaries are recognised as expenses when incurred.

###### *Defined benefit plans*

The Company and its subsidiaries have obligations in respect of the severance payments they must make to employees upon retirement under labor law. The Company and its subsidiaries treat these severance payment obligations as a defined benefit plan.

The obligation under the defined benefit plan is determined by a professionally qualified independent actuary based on actuarial techniques, using the projected unit credit method.

Actuarial gains and losses arising from post-employment benefits are recognised immediately in other comprehensive income.

#### **4.15 Provisions**

Provisions are recognised when the Company and its subsidiaries have a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

#### **4.16 Income tax**

Income tax expense represents the sum of corporate income tax currently payable and deferred tax.

##### **Current tax**

Current income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

##### **Deferred tax**

Deferred income tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period, using the tax rates enacted at the end of the reporting period.

The Company and its subsidiaries recognise deferred tax liabilities for all taxable temporary differences while they recognise deferred tax assets for all deductible temporary differences and tax losses carried forward to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and tax losses carried forward can be utilised.

At each reporting date, the Company and its subsidiaries review and reduce the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

The Company and its subsidiaries record deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

#### 4.17 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between buyer and seller (market participants) at the measurement date. The Company and its subsidiaries apply a quoted market price in an active market to measure their assets and liabilities that are required to be measured at fair value by relevant financial reporting standards. Except in case of no active market of an identical asset or liability or when a quoted market price is not available, the Company and its subsidiaries measure fair value using valuation technique that are appropriate in the circumstances and maximises the use of relevant observable inputs related to assets and liabilities that are required to be measured at fair value.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy into three levels based on categorise of input to be used in fair value measurement as follows:

- Level 1 - Use of quoted market prices in an observable active market for such assets or liabilities
- Level 2 - Use of other observable inputs for such assets or liabilities, whether directly or indirectly
- Level 3 - Use of unobservable inputs such as estimates of future cash flows

At the end of each reporting period, the Company and its subsidiaries determine whether transfers have occurred between levels within the fair value hierarchy for assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis.

#### 5. Significant accounting judgements and estimates

The preparation of financial statements in conformity with financial reporting standards at times requires management to make subjective judgements and estimates regarding matters that are inherently uncertain. These judgements and estimates affect reported amounts and disclosures; and actual results could differ from these estimates. Significant judgements and estimates are as follows:

##### **Consolidation of subsidiaries that the Company holds less than half of shares**

The management of the Company determined that the Company has control over SG Land Company Limited, even though the Company holds 49.91% of shares and voting rights that is less than half of shares and voting rights. This is because the Company is a major shareholder and has the ability to direct the significant activities. As a result, SG Land Company Limited is deemed to be a subsidiary of the Company and has to be included in the consolidated financial statements from the date on which the Company assumed control.

## **Leases**

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to use judgement regarding whether significant risk and rewards of ownership of the leased asset has been transferred, taking into consideration terms and conditions of the arrangement.

## **Allowance for diminution in value of project development cost**

The Company and its subsidiaries treat project development cost, as diminution when the management judges that there have been significant or prolonged declines in the fair value below their cost. The management determines the devaluation of project development cost (if any) based on net realisable value. The determination of what is “significant” and such devaluation requires the management to exercise judgment.

## **Impairment of investments**

The Company and its subsidiaries treats available-for-sale investments and investments in subsidiaries as impaired when there has been a significant or prolonged decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires judgement of the management.

## **Investment property**

The initial recognition and measurement of investment property, and subsequent impairment testing, require management to make estimates the fair value by an independent appraiser.

The independent appraiser valued the investment property using the income approach, because there is no market price that could be used to apply a comparative approach. The key assumptions used in estimating the fair value are described in Note 16.

## **Deferred tax assets**

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the temporary differences and losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimate future taxable profits.

**Post-employment benefits under defined benefit plans**

The obligation under the defined benefit plan is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate and staff turnover rate.

**Litigation**

The Company and its subsidiaries have contingent liabilities as a result of litigation. The Company's management has used judgement to assess of the results of the litigation and believes that no loss will result. Therefore no contingent liabilities are recorded as at the end of reporting period.

**6. Related party transactions**

During the years, the Company and its subsidiaries had significant business transactions with related parties. Such transactions, which are summarised below, arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Company and those related parties.

(Unit: Million Baht)

	Consolidated		Separate		Transfer Pricing Policy
	financial statements		financial statements		
	2016	2015	2016	2015	
<u>Transactions with subsidiary companies</u>					
(eliminated from the consolidated financial statements)					
Interest income	-	-	138	147	Interest rate at 5.25% - 7.65% and 15% per annum
Building management income	-	-	6	5	Contract price
<u>Transactions with related companies</u>					
Sale of condominium units	-	131	-	-	Contract price
Interest income	7	22	-	-	Interest rate at 7.25% per annum
Rental and service expenses	17	15	16	14	Contract price
Interest expense	16	18	-	-	Interest rate at 15% per annum

As at 31 December 2016 and 2015, the balances of the accounts between the Company and those related companies are as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
<b><u>Other receivables (Note 10)</u></b>				
<u>Subsidiaries</u>				
TFD Real Estate Management Company Limited	-	-	22	26
SG Land Company Limited	-	-	521	496
Total Industrial Services Company Limited	-	-	27	26
Total	-	-	570	548
<b><u>Deposit for building rental and service paid</u></b>				
(presented as part of other non-current assets in the statement of financial position)				
<u>Related party</u>				
JC Kevin Development Company Limited	7,507	7,507	6,978	6,978
Total	7,507	7,507	6,978	6,978
<b><u>Trade accounts payable (Note 19)</u></b>				
<u>Related parties</u>				
JC Kevin Foods and Beverages Company Limited	1,583	635	1,583	635
JC Kevin Development Company Limited	466	152	466	152
Total	2,049	787	2,049	787
<b><u>Other payables (Note 19)</u></b>				
<u>Subsidiaries</u>				
SG Land Company Limited	-	-	60,000	90,000
<u>Related parties</u>				
JC Kevin Foods and Beverages Company Limited	9	-	-	-
JC Kevin Development Company Limited	70	-	-	-
Total	79	-	-	-
Grand Total	79	-	60,000	90,000
<b><u>Deposit for building rental and service received</u></b>				
(presented as part of other non-current liabilities in the statement of financial position)				
<u>Subsidiary</u>				
TFD Real Estate Management Company Limited	-	-	149	149
Total	-	-	149	149



Loans to related parties and loan from related parties

As at 31 December 2016 and 2015, the balance of loans between the Company and those related companies and the movement are as follows:

(Unit: Thousand Baht)

		Consolidated financial statements			
		Balance as at 1 January 2016	During the year		Balance as at 31 December 2016
	Related by		Increase	Decrease	
<b>Short-term loan to and interest receivable from related party</b>					
JC Kevin Development Company Limited	Common director				
Loan		180,000	-	(180,000)	-
Interest receivable		69	7,004	(7,073)	-
Total		180,069	7,004	(187,073)	-
<b>Long-term loans and interest payable from related party (Note 23)</b>					
Schubert Holdings Pte. Ltd.	Shareholders of a subsidiary				
Loan		107,925	-	(14,555)	93,370
Interest payable		134,454	15,625	(56,345)	93,734
Total		242,379	15,625	(70,900)	187,104
Less: Current portion of long-term loans		(88,139)			(108,762)
Long-term loans and interest payable from related party, net current portion		154,240			78,342

(Unit: Thousand Baht)

		Separate financial statements			
		Balance as at 1 January 2016	During the year		Balance as at 31 December 2016
	Related by		Increase	Decrease	
<b>Short-term loans to and interest receivable from related parties</b>					
Crown Development Company Limited	Subsidiary				
Loan		1,535,000	174,500	(1,064,855)	644,645
Interest receivable		112,492	54,349	-	166,841
Total		1,647,492	228,849	(1,064,855)	811,486
Total Industrial Services Company Limited	Subsidiary				
Loan		1,027,000	468,200	(50,000)	1,445,200
Interest receivable		53,068	68,217	(1,966)	119,319
Total		1,080,068	536,417	(51,966)	1,564,519
TFD Real Estate Management Company Limited	Subsidiary				
Loan		-	1,000	-	1,000
Interest receivable		-	1	-	1
Total		-	1,001	-	1,001
Grand total		2,727,560	766,267	(1,116,821)	2,377,006
<b>Long-term loans to and interest receivable from subsidiary</b>					
SG Land Company Limited	Subsidiary				
Loan		107,925	-	(14,555)	93,370
Interest receivable		70,314	15,625	(56,344)	29,595
Total		178,239	15,625	(70,899)	122,965
<b>Interest payable to subsidiary</b>					
SG Land Company Limited	Subsidiary				
Interest payable		8,685	-	-	8,685
Total		8,685	-	-	8,685

#### Short-term loans to subsidiaries

The Company has short-term loans to subsidiaries under a form of promissory note, carrying interest at a rate of 5.25-7.65 percent per annum (2015: 5.50 - 6.00 percent per annum) and is repayable on demand and unsecured.

#### Short-term loans to related party

Short-term loan to related party is refund of land deposit which is according to the Extraordinary General Meeting of Shareholders No.2/2557, held on 30 September 2014, disapproved Crown Development Company Limited ("a subsidiary") to buy the land from JC Kevin Development Company Limited ("Seller") and the seller agreed to refund the deposit amount of Baht 320 million with interest 5.5% per annum to a subsidiary calculated from date that the seller received the deposit from a subsidiary until the date that a subsidiary receives the deposit refund from the seller within 90 days from the date of the Shareholders' Meeting of the Company has disapproved and Mr. Apichai Taechaubol (the Executive Chairman of the seller) agreed to be the guarantor.

Subsequently, on 27 April 2015, the Annual General Meeting of the Company's shareholder, approved to amend the conditions for the extension payment term as follow:

- 1) Extend JC Kevin Development Company Limited ("Seller") to refund the deposit amount of Baht 320 million for one year from the due date of repayment to a subsidiary as at 29 December 2014.
- 2) The monthly payment of interest, at the rate of 7% per annum from 29 December 2014 until the date that a subsidiary receives the deposit with interest refund from the seller in full.
- 3) The mortgage of "Sathorn Heritage Residences" Building C as collateral.
- 4) Mr. Apichai Taechaubol (the Executive Chairman of the seller) agreed to be continued as a guarantor.

Subsequently, the Board of Directors' Meeting No. 7/2558 of the subsidiary company held on 13 November 2015 passed a resolution approving a seller's redemption of the mortgage of some units in "Sathorn Heritage Residences" Building C, in order to sell the units and use the receipts from the sales to repay debt to a subsidiary company. Moreover, in compliance with certain conditions of the agreement, the seller additionally mortgaged units of "Sathorn Heritage Residences" Building C as collateral for debts.

On 29 April 2016, the Annual General Meeting of the Company's shareholders passed a resolution approving the subsidiary's granting of a further one-year extension of the payment term (29 December 2015) to the seller, with a new due date for repayment was 29 December 2016 and waived the penalty amounting to Baht 3 million which its covered by increasing the interest rate to 7.25% per annum from 1 January 2016 onward.

During the year 2016, the subsidiary has received in full.

#### Long-term loans to subsidiary

The Company entered into loan agreements with a subsidiary which interest is charged at a rate of 15 percent per annum and to be paid monthly at a relaxed rate.

#### Short-term loan and interest payable from subsidiary

The outstanding balance of this short-term loan is interest payable to a subsidiary under a promissory note which the principal had already been fully repaid.

#### Directors and management's benefits

During the years ended 31 December 2016 and 2015, the Company and its subsidiaries had employee benefit expenses of their directors and management as detailed below.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Short-term employee benefits	69,634	61,317	46,145	39,525
Post-employment benefits	2,872	2,942	2,531	2,738
Total	72,506	64,259	48,676	42,263

#### Guarantee obligations with related parties

The Company has outstanding guarantee obligations with its related parties, as described in Note 34.4.1 to the financial statements.

### 7. Cash and cash equivalents

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Cash	520	515	290	295
Bank deposits	264,893	303,642	191,731	23,906
Total	265,413	304,157	192,021	24,201

As at 31 December 2016, bank deposits in saving accounts and fixed deposits carried interests between 0.20 and 1.25 percent per annum (2015: between 0.50 and 2.50 percent per annum).

**8. Short-term investments in open-end fixed income funds**

As at 31 December 2016 and 2015, the Company and the subsidiary have the balance of short-term investments in open-end fixed income fund as follows:

	Consolidated		(Unit: Thousand Baht)	
	financial statements		Separate financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Short-term investments in open-end fixed income fund	13,271	28,500	-	28,500
Add: Unrealised gain on changes in value of investment	96	65	-	65
Total short-term investments in open-end fixed income fund - fair value	13,367	28,565	-	28,565

**9. Investment in trading securities**

As at 31 December 2016 and 2015, the balances of investment in trading securities are as follows:

	(Unit: Thousand Baht)	
	Consolidated financial statements /	
	Separate financial statements	
	<u>2016</u>	<u>2015</u>
<b><u>Trading securities</u></b>		
Equity securities - cost	210,054	110,492
Less: Unrealised loss on changes in value of trading securities	(8,494)	(59,127)
Total trading securities - fair value	201,560	51,365

During the year, the movements of trading securities are as follows:

	(Unit: Thousand Baht)	
	Consolidated financial statements / Separate financial statements	
	<u>2016</u>	<u>2015</u>
Book value as at 1 January - net	51,365	84,050
Transferred from investments in available-for-sales securities - fair value as the reclassification date	220,500	-
Acquisition	182,585	52,593
Disposal	(303,524)	(44,815)
Unrealised gain (loss) on changes in value of investment in trading securities	50,634	(40,463)
Book value as at 31 December - net	201,560	51,365

During the year, the Company has realised gain (loss) on trading securities and unrealised gain (loss) on changes in value of trading securities as follow:

	(Unit: Thousand Baht)	
	Consolidated financial statements / Separate financial statements	
	<u>2016</u>	<u>2015</u>
Realised gain (loss) on trading securities	(54,273)	233
Unrealised gain (loss) on changes in value of trading securities	50,634	(40,463)
Net	(3,639)	(40,230)



**10. Trade and other receivables**

	Consolidated		(Unit: Thousand Baht)	
	financial statements		Separate financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<u>Trade receivables - unrelated parties</u>				
Aged on the basis of due dates				
Not yet due	1,698	1,755	-	-
Past due				
Up to 3 months	33,479	13,225	2,956	326
3 - 6 months	1,193	372	15	2
6 - 12 months	170	23	4	9
Over 12 months	9,197	9,269	237	240
Total	45,737	24,644	3,212	577
<u>Less: Allowance for doubtful debts</u>	(8,288)	(8,291)	(184)	(187)
Total trade receivables - unrelated parties, net	37,449	16,353	3,028	390
Total trade receivables - net	37,449	16,353	3,028	390
<u>Other receivables</u>				
Related parties (Note 6)	-	-	570	548
Unrelated parties	14,968	5,263	14,498	4,250
Total other receivables	14,968	5,263	15,068	4,798
Trade and other receivables - net	52,417	21,616	18,096	5,188

## 11. Project development costs

	(Unit: Thousand Baht)	
	Consolidated	Separate
	financial statements	financial statements
	2016	2015
Land and land improvement	3,471,308	3,185,242
Interest cost	346,565	380,499
Construction in progress	1,937,177	1,707,995
Condominium units available for sale	864,398	1,187,344
Project development costs	6,619,448	6,461,080
Capitalisation rates (percent)	1.29 - 7.68	0.86 - 8.00

During the first quarter of current year, the subsidiary transferred Baht 806 million from land and building under development to investment properties. During the second quarter, the management revisited the objective of this land and building under development and concluded that such land and building were being developed for sale. Therefore this part was transferred from investment properties back to project development costs. However, during the year 2016, the subsidiary transferred a partial of land and building thereon for rent to investment properties.

During the year ended 31 December 2016, the amount of borrowing costs capitalised by the subsidiaries to their projects was approximately Baht 54 million (2015: consolidated financial statement: Baht 57 million (separate financial statements: Baht 2 million)).

As at 31 December 2016, the Company and its subsidiaries have mortgaged their lands and the construction thereon, totaling Baht 4,805 million (separate financial statements: Baht 1,731 million) (2015: Baht 4,621 million (separate financial statements: Baht 1,744 million)), as collateral for bank overdraft facilities and long-term loans from financial institutions.

On 16 March 2016, the Board of Directors' Meeting No. 3/2559 of the Company passed the resolutions in approving as follow:

- Approving the subsidiary (Crown Development Company Limited) to enter into transaction to sell the project to a third party. Whereby the subsidiary has to complete the development of the project and makes a condominium registration ready to transfer to buyer within December of 2017. However, the subsidiary can transfer all the ownership to the buyer when full payment is received or can transfer partial the ownership to the buyer, but not exceeding partial payment received from the buyer. As at 31 December 2016, the subsidiary has received such deposit amounted Baht 174 million.

- b) Approving the subsidiary (Crown Development Company Limited) to enter into transaction to buy a project from a third party. As at 31 December 2016, the subsidiary has paid such deposit amounted Baht 80 million.

On 29 July 2016, the subsidiary has entered into a further six-month extension of the transfer of ownership of the land and the construction thereon from 1 August 2016.

On 31 January 2017 the subsidiary has entered into a further three-month extension of the transfer of ownership of the land and the construction thereon from 1 February 2017.

## 12. Restricted bank deposits

This balance represents fixed deposits pledged with banks to secure credit facilities of long-term loans from financial institutions and letters of guarantee issued by the banks on behalf of the Company and its subsidiaries.

## 13. Investments in subsidiaries

- 13.1 Details of investments in subsidiaries as presented in separate financial statements are as follows:

Company's name	Paid-up capital		Shareholding percentage		Cost		Dividend received during the year	
	2016	2015	2016	2015	2016	2015	2016	2015
			(Percent)	(Percent)				
Total Industrial Services Company Limited	400,000	400,000	100.00	100.00	397,550	397,550	-	-
SG Land Company Limited	100,450	100,450	49.91	49.91	45,523	45,523	-	-
Crown Development Company Limited	701,000	701,000	100.00	100.00	496,901	496,901	-	-
TFD Real Estate Management Company Limited	10,000	10,000	100.00	100.00	10,000	10,000	-	-
Total					949,974	949,974	-	-
Less: Allowance for impairment of investments in subsidiary					(41,497)	(41,497)	-	-
Net					908,477	908,477	-	-

(Unit: Thousand Baht)

## 13.2 Details of investments in subsidiary that has material non-controlling interests

Company's name	Proportion of equity interest held by non-controlling interests		Accumulated balance of non-controlling interests		Profit allocated to non-controlling interests during the year		Dividend paid to non-controlling interests during the year	
	2016	2015	2016	2015	2016	2015	2016	2015
	(Percent)	(Percent)						
SG Land Company Limited	50.09	50.09	117	112	5	4	-	-

(Unit: Million Baht)

13.3 Summarised financial information that based on amounts before inter-company elimination about subsidiary that has material non-controlling interest.

Summarised information about financial position

(Unit: Thousand Baht)		
SG Land Company Limited		
As at 31 December		
	<u>2016</u>	<u>2015</u>
Current assets	60,255	82,316
Non-current assets	530,763	603,589
Current liabilities	242,960	201,757
Non-current liabilities	135,957	285,557

Summarised information about comprehensive income

(Unit: Thousand Baht)		
SG Land Company Limited		
For the year ended 31 December		
	<u>2016</u>	<u>2015</u>
Revenue	180,856	182,179
Total comprehensive income	13,509	10,545

Summarised information about cash flow

(Unit: Thousand Baht)		
SG Land Company Limited		
For the year ended 31 December		
	<u>2016</u>	<u>2015</u>
Cash flow from operating activities	37,010	3,387
Cash flow from investing activities	(2,954)	(6,557)
Cash flow from financing activities	(54,109)	(20,000)
Net decrease in cash and cash equivalents	(20,053)	(23,170)

**14. Investment in available-for-sales securities**

(Unit: Thousand Baht)

Fund's name	Consolidated financial statements / Separate financial statements							
	Shareholding		Cost		Unrealised gain on		Carrying amount	
	percentage				changes in value			
	2016	2015	2016	2015	2016	2015	2016	2015
	(Percent)	(Percent)						
MFC Industrial Investment								
Property and Leasehold Fund								
(M-II)	-	13.08	-	204,975	-	3,150	-	208,125
Total			-	204,975	-	3,150	-	208,125

During the third quarter of current year, the Company has transferred the investments in MFC Industrial Investment Property and Leasehold Fund (M-II) from investments in available-for-sales securities to investments in trading securities, since the management has revisited the objective of these investments and concluded that they were held for trading.

Movements of the available-for-sales securities account during the year ended 31 December 2016 are summarised below.

(Unit: Thousand Baht)

	Consolidated and separate financial statements
Book value as at 1 January 2016 - net	208,125
Reversal of unrealised gain on changes in value of investment	(3,150)
Unrealised gain from transfer investments	15,525
Transferred to investments in trading securities, fair value as the reclassification date	(220,500)
Book value as at 31 December 2016 - net	-

The Company received dividend from the investment during the current year amounting to Baht 14 million (2015: Baht 18 million).

## 15. Leasehold rights

(Unit: Thousand Baht)

	Consolidated financial statements				Separate financial statements
	Prepaid rental - Land	Prepaid rental - Building	Leasehold right - Land	Leasehold right - Building	Leasehold right - Land
<b>Cost</b>					
As at 1 January 2015	132,264	477,124	56,376	9,096	56,376
Addition	-	4,365	-	-	-
As at 31 December 2015	132,264	481,489	56,376	9,096	56,376
Addition	-	1,845	-	-	-
As at 31 December 2016	132,264	483,334	56,376	9,096	56,376
<b>Accumulated amortisation</b>					
As at 1 January 2015	50,944	205,053	11,122	6,634	11,122
Amortisation for the year	7,635	31,686	1,414	616	1,414
As at 31 December 2015	58,579	236,739	12,536	7,250	12,536
Amortisation for the year	7,635	32,073	1,414	617	1,414
As at 31 December 2016	66,214	268,812	13,950	7,867	13,950
<b>Net Book Value</b>					
As at 31 December 2015	73,685	244,750	43,840	1,846	43,840
As at 31 December 2016	66,050	214,522	42,426	1,229	42,426



### 15.1 Separate financial statements

The Company has leased land from the Privy Purse Bureau to construct a residential building (Mahadlekluang project). The residential building is to be the property of the Privy Purse Bureau from the commencement of construction, and the Company has to comply with conditions stipulated in the lease agreement, as stated in Note 34.2.2.

In 2008, the Company entered into an agreement with an overseas investor holding shares of a subsidiary (SG Land Company Limited), whereby the leasehold rights and other rights of the Mahadlekluang project are to be sold to the subsidiary for a total of Baht 280 million. The Company and the overseas investor each hold equal investments of 50%, or equivalent to Baht 140 million each. The Company has received partial payment from the subsidiary amounting to Baht 130 million.

During year 2015, the Board of Directors' Meeting No.7/2558 of the Company approved the cancellation of the sale of leasehold rights and other rights of Mahadlekluang project to its subsidiary, therefore, the Company has to reimburse the deposit receipt to the subsidiary. The Company presents the deposit receipt as other payables in statement of financial position as at 31 December 2016 of Baht 60 million.

### 15.2 Subsidiary

- 1) The subsidiary records leasehold rights to land that it has leased since 1993 from the Privy Purse Bureau as prepaid rental - land. The subsidiary constructed an office building for rent on the leased land and the office building has been the property of the lessor since the commencement of the construction. The subsidiary has received the right to use the office building for rent until the end of the lease term, and therefore has recorded value of the office building as prepaid rental - building.
- 2) The subsidiary received leasehold rights to land from a company to construct an office building for rent, and leasehold rights to land from natural persons to construct a building for lease, as stated in Note 16.

The subsidiary has placed the land leasehold rights under agreements with the Privy Purse Bureau, with total net book values as at 31 December 2016 of Baht 59 million (2015: Baht 66 million) as collateral for the letter of guarantee to guarantee electricity use from bank.

## 16. Investment properties

The net book value of the investment properties as at 31 December 2016 and 2015 is presented below.

(Unit: Thousand Baht)

Consolidated financial statements			
	Land and warehouse building for lease/Improvement of leasehold building	Office building for lease	Total
31 December 2016:			
Cost	1,242,747	344,723	1,587,470
<u>Less</u> : Accumulated depreciation	(65,092)	(169,613)	(234,705)
<u>Less</u> : Allowance for diminution in value	(10,288)	-	(10,288)
Net book value	1,167,367	175,110	1,342,477
31 December 2015:			
Cost	1,248,294	343,615	1,591,909
<u>Less</u> : Accumulated depreciation	(37,610)	(149,086)	(186,696)
<u>Less</u> : Allowance for diminution in value	(12,500)	-	(12,500)
Net book value	1,198,184	194,529	1,392,713

The subsidiary operates its factory rental business on land leased from the Industrial Estate Authority of Thailand and natural persons, as stated in Note 34.2.3, and office rental business on land leased from a company, as stated in Note 34.2.5.

A subsidiary operates its warehouse rental business on land leased for a period of 999 years, and has an option to acquire the free hold of such land after expiry of the 25 year at the price stipulated in the agreement.

A reconciliation of the net book value of investment properties for the years 2016 and 2015 is presented below.

(Unit: Thousand Baht)

Consolidated financial statements		
	2016	2015
Net book value at beginning of year	1,392,713	535,948
Acquisition of assets	1,109	891,512
Transfer from project development cost (Note 11)	214,799	-
Depreciation	(57,019)	(48,961)
Translation adjustment	(209,125)	14,214
Net book value at end of year	1,342,477	1,392,713

The fair value of the investment properties as at 31 December 2016 and 2015 stated below:

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	2016	2015
Land and warehouse building for rent	1,242,905	1,203,829
Office building for rent	301,000	304,000

The fair values of the above investment properties have been determined based on valuations performed by an accredited independent valuer. The fair value of the land and warehouse building for rent and office building for rent has been determined using the income approach and comparable market approach. The main assumptions used in the valuation are yield rate, inflation rate, long-term vacancy rate and long-term growth real rates.

Subsidiaries have placed investment properties, with total net book values as at 31 December 2016 of Baht 1,340 million, as collateral to long-term loan from financial institution (2015: Baht 1,390 million, as collateral to long-term loan from financial institution and letter of guarantee to guarantee electricity use).

#### Sale of assets to MFC Industrial Investment Property and Leasehold Fund in 2013

In December 2013, the Company and Total Industrial Services Company Limited (the subsidiary) transferred the ownership of property and factory buildings in TFD industrial Park and factory buildings in Kingkaew Project to MFC Industrial Investment Property and Leasehold Fund ("the Fund") and have entered into agreement and accepted some conditions as follows:

1. An agreement regarding compensation for property and factory building in a plot of land of which a sublease agreement has not been made or a sublease has been made but rental or service fee has not started or has started but the remaining lease period is less than 6 months. The Company and the subsidiary agreed to guarantee the minimum rental rate and service fee for these assets for a period of three years from the date the property ownership was transferred.

2. An agreement relating to investment in unit trusts of the Fund, whereby the Company or its subsidiary agree to invest in unit trusts not less than 10% of the increase value in unit trust, equivalent to Baht 75 million (7.5 million units). As at 31 December 2016, the Company made an investment in the Fund, equivalent to 10.95% (2015: 13.08%) of the value of the Fund's unit trusts. During the year 2016, the Company has transferred the investment from investment in available-for-sale securities to investment in trading securities as mention in Note 14.
3. An amendment agreement of Property manager appointment agreement made with the Fund whereby the Fund appointed the Company as the Management Company to manage the property of the increase of unit trusts to seek benefits from the property. In this regard, the Company agreed to place additional deposit of Baht 0.5 million with the Fund as a performance guaranteed the Management Company.
4. The Company agreed to guarantee of the factory's construction for the period of 5 years after the date of transfer of the factory buildings to the Fund.

During the year 2016, the Company and the subsidiary paid additional compensation of minimum rental guarantee to the Fund amounting to Baht 12 million (separate financial statements: Baht 10 million) (2015: Baht 20 million (separate financial statements: Baht 16 million)), and recognised as administrative expenses.

**17. Equipment**

(Unit: Thousand Baht)

Consolidated financial statements				
	Improvement of leasehold office building	Motor vehicles	Furniture, fixtures and office equipment	Total
<b>Cost</b>				
As at 1 January 2015	15,560	45,159	84,350	145,069
Additions	15	2,231	2,437	4,683
Disposals	-	-	(97)	(97)
As at 31 December 2015	15,575	47,390	86,690	149,655
Additions	1,303	3,607	3,126	8,036
Disposals	-	-	(458)	(458)
As at 31 December 2016	16,878	50,997	89,358	157,233
<b>Accumulated depreciation:</b>				
As at 1 January 2015	4,226	23,683	26,482	54,391
Depreciation for the year	2,698	5,971	4,300	12,969
Depreciation on disposals	-	-	(35)	(35)
As at 31 December 2015	6,924	29,654	30,747	67,325
Depreciation for the year	2,831	6,003	4,476	13,310
Depreciation on disposals	-	-	(458)	(458)
As at 31 December 2016	9,755	35,657	34,765	80,177
<b>Net book value:</b>				
As at 31 December 2015	8,651	17,736	55,943	82,330
As at 31 December 2016	7,123	15,340	54,593	77,056
<b>Depreciation for the year</b>				
2015 (All included in an administrative expenses)				12,969
2016 (All included in an administrative expenses)				13,310

(Unit: Thousand Baht)

Separate financial statements				
	Improvement of leasehold office building	Motor vehicles	Furniture, fixtures and office equipment	Total
<b>Cost</b>				
As at 1 January 2015	12,943	40,523	66,070	119,536
Additions	15	2,176	1,992	4,183
Disposals	-	(3,286)	(97)	(3,383)
As at 31 December 2015	12,958	39,413	67,965	120,336
Additions	1,299	3,608	2,819	7,726
Disposals	-	-	(458)	(458)
As at 31 December 2016	14,257	43,021	70,326	127,604
<b>Accumulated depreciation:</b>				
As at 1 January 2015	2,042	20,159	9,676	31,877
Depreciation for the year	2,590	5,663	3,876	12,129
Depreciation on disposals	-	(1,098)	(35)	(1,133)
As at 31 December 2015	4,632	24,724	13,517	42,873
Depreciation for the year	2,743	5,296	4,060	12,099
Depreciation on disposals	-	-	(458)	(458)
As at 31 December 2016	7,375	30,020	17,119	54,514
<b>Net book value:</b>				
As at 31 December 2015	8,326	14,689	54,448	77,463
As at 31 December 2016	6,882	13,001	53,207	73,090
<b>Depreciation for the year</b>				
2015 (All included in an administrative expenses)				12,129
2016 (All included in an administrative expenses)				12,099



As at 31 December 2016, the Company and its subsidiaries have vehicles and equipment under finance lease agreements with net book values amounting to Baht 17 million (Separate financial statements: Baht 15 million) (2015: Baht 20 million, (Separate financial statements: Baht 17 million)).

As at 31 December 2016, the Company and its subsidiaries have certain improvements of leasehold office building and equipment items which have been fully depreciated but are still in use. The gross carrying amount before deducting accumulated depreciation of those assets amounted to approximately Baht 36 million (Separate financial statements: Baht 20 million) (2015: Baht 23 million, (Separate financial statements: Baht 15 million)).

#### 18. Bank overdrafts and short-term loans

		(Unit: Thousand Baht)			
		Consolidated		Separate	
	Interest rate	financial statements		financial statements	
	(percent per annum)	2016	2015	2016	2015
Bank overdrafts	MOR	151	-	-	-
Bill of exchange	5.25 - 5.60	1,839,302	2,144,502	1,839,302	1,895,854
Promissory note	4.00 - 7.25	138,000	47,000	91,000	-
Total		1,977,453	2,191,502	1,930,302	1,895,854

Bank overdrafts of the Company and its subsidiary are guaranteed by the Company, the Executive Chairman, the pledge of the Company's rights to the fixed deposit with the bank and the Company and its subsidiary have mortgage partial of land with construction thereon.

The short-term loans comprise of unsecured bills of exchange which the Company guarantees the subsidiary's issuance and offering of short-term loans in form of bills of exchange, and promissory notes which comprise of promissory notes from bank that are secured by the pledge of partial of a subsidiary's land with construction thereon and guaranteed by the Company amounting to Baht 47 million, as mentioned in Note 34.4.1. And promissory notes from unrelated parties which were unsecured amounting to Baht 91 million.

## 19. Trade and other payables

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<u>Trade payables</u>				
Trade accounts payable - unrelated parties	20,889	9,115	19,829	6,839
Trade accounts payable - related parties (Note 6)	2,049	787	2,049	787
Accounts payable - construction	61,493	69,255	-	-
Total trade payables	84,431	79,157	21,878	7,626
<u>Other payables</u>				
Other payable - related party (Note 6)	79	-	60,000	90,000
Advance received from customers	35,491	42,686	642	-
Retention for constructors	44,293	30,277	4,754	3,659
Accrued expenses	107,298	84,193	43,382	41,116
Others	15,492	20,308	12	4,359
Total other payables	202,653	177,464	108,790	139,134
Total trade and other payables	287,084	256,621	130,668	146,760

## 20. Debentures

	(Unit: Thousand Baht)	
	Consolidated / Separate	
	financial statements	
	<u>2016</u>	<u>2015</u>
Senior and unsecured debenture 1/2557	-	1,693,500
Senior and unsecured debenture 1/2558	1,200,000	1,200,000
Senior and unsecured debenture 2/2558	200,000	200,000
Senior and unsecured debenture 1/2559 No.1	850,000	-
Senior and unsecured debenture 1/2559 No.2	850,000	-
Less: Unamortised cost relating to the issuance of debentures	(14,237)	(10,381)
Total	3,085,763	3,083,119
Less: Current portion of debenture	(2,242,908)	(1,691,065)
Debentures - net of current portion	842,855	1,392,054

Movements in debentures account during the year ended 31 December 2016 are summarised below.

	(Unit: Thousand Baht) Consolidated / Separate financial statements
Balance as at 1 January 2016	3,083,119
Issued during the year	1,700,000
Maturity during the year	(1,693,500)
Debentures issuing costs	(18,281)
Amortisation of deferred debentures issuing costs	14,425
Balance as at 31 December 2016	3,085,763

The Extraordinary General Meeting of the Company's shareholders held on 24 June 2013 passed resolutions to approve the issue and offer of senior and unsecured debenture not more than Baht 3,500 million with term to maturity of not more than 5 years to institutional investors, private investors and the public. On 10 July 2014, the Company issued and offered 1,693,500 units of senior and unsecured debenture No. 3 with a par value of Baht 1,000 each, or a total of Baht 1,694 million. The interest is at a rate of 5.5% per annum and will be paid every 3 months. The mature date is on 10 July 2016.

On 27 February 2015, the Company issued and offered 1,200,000 units of senior and unsecured debenture 1/2558 with a par value of Baht 1,000 each, or a total of Baht 1,200 million. The debenture mature on 27 February 2017, bearing interest at a rate of 6% per annum that will be paid every 3 months.

On 19 March 2015, the Company issued and offered 200,000 units of senior and unsecured debenture 2/2558 with a par value of Baht 1,000 each, or a total of Baht 200 million. The debenture mature on 10 April 2017, bearing interest at a rate of 6% per annum that will be paid every 3 months.

The Annual General Meeting of the Company's shareholders held on 29 April 2016, passed a resolution to increase the limit on the debenture issues from Baht 3,500 million to Baht 5,000 million. On 7 July 2016, the Company issued and offered 850,000 units of senior, unsecured debenture 1/2559 No. 1 with a face value of Baht 1,000 each, or a total of Baht 850 million. The debentures mature on 7 October 2017 and bear interest at a rate of 5.85% per annum, payable every 3 months. Moreover on the same date, the Company issued and offered 850,000 units of senior, unsecured debenture 1/2559 No. 2 with a face value of Baht 1,000 each, or a total of Baht 850 million, maturing on 7 May 2018 and bearing interest at a rate of 6% per annum, payable every 3 months.

However, on 11 July 2016, the Company redeemed the senior, unsecured debenture 1/2557, amounting to Baht 1,694 million, using the cash raised from the issue of senior, unsecured debentures 1/2559 No. 1 and No. 2.

On 20 February 2017, the Company issued and offered 769,000 units of senior, secured debenture 1/2560 No. 1 with a face value of Baht 1,000 each, or a total of Baht 769 million. The debentures mature on 23 February 2018 and bear interest at a rate of 6% per annum, payable every 3 months. Moreover on the same date, the Company issued and offered 528,500 units of senior, and secured debenture 1/2560 No. 2 with a face value of Baht 1,000 each, or a total of Baht 528.5 million, maturing on 23 February 2019 and bearing interest at a rate of 6% per annum, payable every 3 months.

Such debentures were secured by the followings:

- (1) The vacant lands of the Company which located in Chachoengsao Province.
- (2) The land with construction thereon of the project under development of the Company
- (3) The 40,000,000 ordinary shares with a par value of Baht 10 each of Total Industrial Services Company Limited (subsidiary).

On 27 February 2017, the Company redeemed the senior, unsecured debenture 1/2558, amounting to Baht 1,200 million, using the cash raised from the issue of senior and secured debentures 1/2560 No. 1. and No. 2.

The balance of the debentures presented net of deferred debenture issuing costs. Under the debentures agreement, there are normal covenants relating to various matters as required in the normal course of business.

## 21. Liabilities under finance lease and hire-purchase agreements

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Liabilities under finance lease and hire-purchase agreements	10,213	14,129	9,164	12,099
Less: Deferred interest expenses	(673)	(1,191)	(611)	(1,018)
Total	9,540	12,938	8,553	11,081
Less: Portion due within one year	(5,864)	(5,551)	(4,938)	(4,681)
Liabilities under finance lease and hire-purchase agreements - net of current portion	3,676	7,387	3,615	6,400

The Company and its subsidiaries has entered into finance lease and hire-purchase agreements with leasing companies to lease motor vehicles, truck, backhoe loaders and photocopying machines for use in its operations, whereby it is committed to pay rental on a monthly basis. The average term of the agreements is 48 months.

Future minimum lease payments required under the finance lease and hire-purchase agreements were as follows:

(Unit: Thousand Baht)

	Consolidated financial statements					
	Less than 1 year		1 - 4 years		Total	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Future minimum lease payments	6,361	6,267	3,851	7,862	10,212	14,129
Deferred interest expenses	(497)	(716)	(175)	(475)	(672)	(1,191)
Present value of future minimum lease payments	<u>5,864</u>	<u>5,551</u>	<u>3,676</u>	<u>7,387</u>	<u>9,540</u>	<u>12,938</u>

(Unit: Thousand Baht)

	Separate financial statements					
	Less than 1 year		1 - 4 years		Total	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Future minimum lease payments	5,379	5,285	3,786	6,814	9,165	12,099
Deferred interest expenses	(441)	(604)	(171)	(414)	(612)	(1,018)
Present value of future minimum lease payments	<u>4,938</u>	<u>4,681</u>	<u>3,615</u>	<u>6,400</u>	<u>8,553</u>	<u>11,081</u>

## 22. Long-term loans from financial institutions

(Unit: Thousand Baht)

Credit No.	Currencies	Credit facilities (Million)	Consolidated financial statements		Separate financial statements	
			<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
1	Baht	1,796	305,216	312,249	305,216	312,249
2	Baht	990	54,063	93,113	54,063	93,113
3	Baht	800	-	309,739	-	309,739
4	Baht	150	131,027	144,923	-	-
5	Baht	380	282,479	261,117	-	-
6	Baht	185	110,773	79,861	-	-
7	Baht	235	99,914	99,830	-	-
8	Pound	3	108,175	147,164	-	-
9	Pound	8.5	318,479	429,516	-	-
10	Baht	510	232,598	-	-	-
11	Baht	140	62,192	-	62,192	-
Total			1,704,916	1,877,512	421,471	715,101
Less : Current portion			(655,985)	(983,922)	(358,535)	(681,038)
Long-term loans, net of current portion			<u>1,048,931</u>	<u>893,590</u>	<u>62,936</u>	<u>34,063</u>

Credit line (1) On 9 June 2011, the Company received a loan facility of Baht 1,796 million from a local bank (Baht 1,223 million of which was drawn down), carrying interest at MLR per annum. The interest must be paid monthly and principal is to be paid using funds from the sale of real estate that is released from mortgage, in accordance with the agreement conditions. The loan must be repaid in full within June 2017.

Such loan was secured by the following:

- (1) The mortgage of land with construction thereon and the assignment of the beneficiary rights under the insurance policies covering these assets to the lender.
- (2) The pledge of the Company's rights to the fixed deposit with the bank.

Credit line (2) On 26 December 2012, the Company received a loan facility of Baht 990 million from a local bank (Baht 150 million has been drawn down), carrying interest at MLR+0.5% per annum. The principal is to be paid using funds from the sale of condominium units, in accordance with the agreement conditions. The loan must be repaid in full within December 2017.

In February 2015, the Company has entered into amendment memorandum to the loan agreement, whereby the Company is to repay loan principal amounting to Baht 5 million per month starting from February 2015.

In September 2016, the Company has entered into an amendment memorandum to the loan agreement. The Company was granted waive period for the principal repayment from September 2016 to February 2017.

Such loan was secured by the following:

- (1) The mortgage of land with construction thereon and the assignment of the beneficiary rights under the insurance policies covering these assets to the lender.
- (2) Letter of guarantee from the Executive Chairman.

Credit line (3) On 31 July 2014, the Company received a loan facility of Baht 800 million from a local bank (which has been drawn down in full), carrying interest at MLR per annum. The principal is to be paid using funds from the sale of condominium units, in accordance with the agreement conditions. The loan must be repaid in full within 31 July 2016.

On 26 July 2016, the Company has entered into an amendment memorandum to the loan agreement. The Company was granted a postponement of the date for repayment of the loan in full within 31 July 2017.

During the current year, the Company has paid in full.

Credit line (4) On 14 August 2014, a subsidiary received a loan facility of Baht 150 million from a local bank (which has been drawn down in full), carrying interest at MLR-1% per annum, payable at the end of each month from the drawdown date. Principal was payable from the 13th month onwards, counting from the drawdown date, in monthly payments for principal and interest of no less than Baht 1,870,000 until the loan is repaid in full, which must be completed within 10 years from the drawdown date.

Such loan was secured by the following:

- (1) The mortgage of land with construction thereon of a subsidiary and the assignment of the beneficiary rights under the insurance policies covering these assets to the lender.
- (2) Letter of guarantee from the Company.

Credit line (5) On 14 August 2014, a subsidiary received a loan facility of Baht 380 million from a local bank (which has been drawn down in full), carrying interest at MLR-1% per annum, payable at the end of each month from the drawdown date. Principal was payable from the 13th month onwards, counting from the drawdown date, in monthly payments for principal and interest of no less than Baht 4,730,000 until the loan is repaid in full, which must be completed within 10 years from the drawdown date.

Such loan was secured by the following:

- (1) The mortgage of land with construction thereon of a subsidiary and the assignment of the beneficiary rights under the insurance policies covering these assets to the lender.
- (2) Letter of guarantee from the Company.

Credit line (6) On 13 January 2015, a subsidiary received a loan facility of Baht 185 million from a local bank (Baht 119 million has been drawn down), carrying interest at MLR-0.5% per annum, payable on the 10th of every month from the drawdown date. Principal was payable from the 13<sup>th</sup> month onwards, counting from the drawdown date, in monthly payments of no less than Baht 7,700,000 until the loan is repaid in full, which must be completed within 3 years from the drawdown date. During the current year, the subsidiary was granted a postponement of the date for the first principal repayment to March 2017, and the loan must be fully repaid by February 2019.



Such loan was secured by the following:

- (1) The mortgage of land with construction thereon of a subsidiary and the assignment of the beneficiary rights under the insurance policies covering these assets to the lender.
- (2) Letter of guarantee from the Company and the Executive Chairman.

Credit line (7)

On 13 January 2015, a subsidiary received a loan facility of Baht 235 million from a local bank (Baht 100 million has been drawn down), carrying interest at MLR-0.5% per annum, payable on the 14th of every month from the drawdown date. Principal was payable from the 16<sup>th</sup> month onwards, counting from the drawdown date, in monthly payments of no less than Baht 11,200,000 until the loan is repaid in full, which must be completed within 3 years from the drawdown date. During the current year, the subsidiary was granted a postponement of the date for the first principal repayment to May 2017, and the loan must be fully repaid by January 2019.

Such loan was secured by the following:

- (1) The mortgage of land with construction thereon of a subsidiary and the assignment of the beneficiary rights under the insurance policies covering these assets to the lender.
- (2) Letter of guarantee from the Company and the Executive Chairman.

Credit line (8)

On 28 January 2015, a subsidiary received a loan facility of GBP 3 million from an overseas bank (which has been drawn down in full), carrying interest at 4.15% per annum. The principal and interest is to be paid every 3 months in accordance with the agreement conditions. The loan must be fully repaid within 5 years from the draw down date.

Such loan was secured by the following:

- (4) The mortgage of leasehold rights of land with construction thereon of a subsidiary and the assignment of the beneficiary rights under the insurance policies covering these assets to the lender.
- (5) The pledge of 630,000 ordinary shares of a subsidiary with a par value of GBP 1 each held by another subsidiary.

Credit line (9) On 30 April 2015, a subsidiary received a loan facility of GBP 8.5 million from an overseas bank (which has been drawn down in full), carrying interest at 4.11% per annum. The principal and interest is to be paid every 3 months in accordance with the agreement conditions. The loan must be fully repaid within 5 years from the draw down date.

Such loan was secured by the following:

- (1) The mortgage of land with construction thereon of a subsidiary and the assignment of the beneficiary rights under the insurance policies covering these assets to the lender.
- (2) The pledge of the subsidiary's rights to the fixed deposit with the bank.

Credit line (10) On 21 June 2016, a subsidiary received a loan facility of Baht 510 million from a local bank (Baht 234 million has been drawn down), carrying interest at MLR per annum. The loan must be repaid in full within 30 June 2018.

Such loan was secured by the following:

- (1) The mortgage of land with construction thereon of a subsidiary and the assignment of the beneficiary rights under the insurance policies covering these assets to the lender.
- (2) Letter of guarantee from the Company and the Executive Chairman

Credit line (11) On 26 July 2016, the Company received a loan facility of Baht 140 million from a local bank (which has been drawn down in full), carrying interest at MLR+1% per annum, payable at the end of each month from the drawdown date. The loan must be repaid in full within 31 July 2018.

Such loan was secured by the following:

- (1) The mortgage of land with condominium construction thereon of a subsidiary and the assignment of the beneficiary rights under the insurance policies covering these assets to the lender.
- (2) Letter of guarantee from the Executive Chairman and a subsidiary as a joint receivable.

The loan agreements contain certain covenants and restrictions which the Company and its subsidiaries must comply, related to such matters as the maintenance of a debt to equity ratio of not more than 2.5:1, dividend payment and the maintenance of the shareholding structure.

The long-term credit facilities of the Company and its subsidiaries which have not yet been drawn down were as follows:

	(Unit: Million Baht)	
	Consolidated	Separate
	financial statements	financial statements
	<u>2016</u>	<u>2015</u>
Long-term credit facilities which have not yet been drawn down	1,891	1,413

### 23. Long-term loans from related party and interest payable

	(Unit: Thousand Baht)	
	Consolidated	
	financial statements	
	<u>2016</u>	<u>2015</u>
Long-term loans from related party	93,370	107,925
Interest payable	93,734	134,454
Total	187,104	242,379
Less: Current portion	(108,762)	(88,139)
Long-term loans from related party and interest payable, net of current portion	78,342	154,240

On the above loan, interest is charged at a rate of 15 percent per annum and is to be paid monthly at a relaxed rate.

There was no collateral for such long-term loans.

**24. Provision for long-term employee benefits**

Provision for long-term employee benefits, which is compensations on employees' retirement, was as follows:

	Consolidated financial statements		Separate financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>Provision for long-term employee benefits</b>				
<b>at beginning of year</b>	17,024	13,703	14,294	11,536
Included in profit or loss:				
Current service cost	7,232	2,939	6,649	2,472
Interest cost	744	598	624	502
Included in other comprehensive income:				
Actuarial (gain) loss arising from				
Demographic assumptions changes and				
Financial assumptions changes	1,985	-	1,617	-
Experience adjustments	1,859	-	(2,025)	-
Benefits paid during the year	(13,299)	(216)	(12,404)	(216)
<b>Provision for long-term employee benefits</b>				
<b>at end of year</b>	<u>15,545</u>	<u>17,024</u>	<u>8,755</u>	<u>14,294</u>

Long-term employee benefit expenses included in the profit or loss was as follows:

	Consolidated financial statements		Separate financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current service cost	7,232	2,939	6,649	2,472
Interest cost	744	598	624	502
Transitional liability recognised during the year	-	1,794	-	1,507
<b>Total expense recognised in profit or loss</b>	<u>7,976</u>	<u>5,331</u>	<u>7,273</u>	<u>4,481</u>

Such expenses are included in the profit or loss in administrative expenses

The Company and its subsidiaries expect to pay Baht 2 million of long-term employee benefits during the next year (Separate financial statements: Baht 2 million) (2015: Baht 8 million, (Separate financial statements: Baht 7 million)).

As at 31 December 2016, the weighted average duration of the liabilities for long-term employee benefit is 9-35 years (Separate financial statement: 19 years) (2015: 18 years, (Separate financial statements: 18 years)).

Significant actuarial assumptions are summarised below:

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
	(%)	(%)	(%)	(%)
Discount rate	2.05 - 2.63	4	2.16	4
Future salary increase rate	5.50	5	5.50	5
Staff turnover rate (depending on age and level of staffs)	0 - 30	0 - 15	0 - 30	0 - 15

The result of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligation as at 31 December 2016 and 2015 are summarised below:

(Unit: Thousand Baht)

As at 31 December 2016

	Consolidated financial statements		Separate financial statements	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
Discount rate	(934)	1,041	(572)	645
Future salary increase rate	1,168	(1,067)	706	(639)
Staff turnover rate	(977)	1,073	(602)	669

(Unit: Thousand Baht)

As at 31 December 2015

	Consolidated financial statements		Separate financial statements	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
Discount rate	(728)	818	(569)	641
Future salary increase rate	886	(806)	701	(638)
Staff turnover rate	(662)	596	(511)	479

## **25. Long-term provisions**

As mentioned in Note 16, long-term provisions which is provision which the Company has estimated for a provision of construction guarantee for factory building projects paid to the Fund for 5 years.

## **26. Share capital /Share premium**

On 27 June 2016, the Extraordinary General Meeting of Shareholders No.1/2559 approved the followings significant transactions.

26.1 Approved the reduction of the registered share capital from Baht 1,914,911,170 to Baht 1,283,501,405, by canceling 631,409,765 shares with a par value of Baht 1 per share, in order to eliminate the shares remaining after the registered share capital under the public offering and eliminate the share capital reserved for the exercise rights of the holders of warrants No.2 and warrants No.3 which were expired on 13 May 2016. The Company registered the reduction in share capital with the Ministry of Commerce on 28 June 2016.

26.2 Approved the increase in the registered share capital of the Company from Baht 1,283,501,405 to Baht 2,096,335,206 by issuing 812,833,801 new ordinary shares with a par value of Baht 1 to support the exercise rights of the holders of warrants No.4 and the share issue under the general mandate. The Company registered the increase in its share capital with the Ministry of Commerce on 29 June 2016.

26.3 Approved the allocation of the 812,833,801 newly issued ordinary shares as follow.

- a) The allocation of up to 427,833,801 ordinary shares with a par value of Baht 1 each to be reserved for the exercise rights of the holders of warrants No.4 at an exercise price of Baht 3.50 each.
- b) The allocation of up to 385,000,000 ordinary shares with a par value of Baht 1 each to be offered to the existing shareholders under the general mandate.

On 5 October 2016, Meeting of the Board of Directors No.10/2559 of the Company approved the offering and allocation of additional 385,000,000 ordinary shares with a par value of Baht 1 to the shareholders under a general mandate within April 2017, with an allocation ratio of one new share for every 3.34 existing ordinary shares, and an offer price of Baht 2 per share. The subscription rights for the new ordinary shares will be announced on 21 November 2016, and the subscription period is 13 to 19 December 2016.

Subsequently, on 21 December 2016, the Company registered the increase in its issued and paid up share capital, with the Ministry of Commerce, from Baht 1,283,501,405 to Baht 1,630,915,888 (1,630,915,888 ordinary shares with a par value of Baht 1 each). It is offered to the existing shareholders and the Company received payment for the capital increase amounting to Baht 694,828,966 (347,414,483 ordinary shares at the price of Baht 2 each).

## 27. Warrants to purchase ordinary shares

The warrants are detailed as follows:

	TFD-W2 Units	TFD-W3 Units	TFD-W4 Units
Outstanding as at 1 January 2016	180,409,765	256,563,552	-
Issued during the year	-	-	427,833,801
Expired during the year	(180,409,765)	(256,563,552)	-
Outstanding as at 31 December 2016	-	-	427,833,801

The warrants No.2 (TFD-W2) and warrants No.3 (TFD-W3) which have not been exercised expired on 13 May 2016.

The Extraordinary General Meeting of Shareholders No.1/2559 of the Company held on 27 June 2016 passed a resolution to approve the issue of the warrants to the Company's existing shareholders (TFD-W4) in a ratio of 1 warrant for every 3 ordinary shares without specifying the offer price. Details are as follows:

Issue date	26 July 2016
No. of warrants granted (Units)	427,833,801
Life of warrants	1 year 11 months 4 days from the issue date (29 June 2018)
Exercisable	Last business day of each quarter from the issue date
Exercise price per 1 ordinary share (Baht)	3.50
Exercise ratio (warrant to ordinary share)	1:1

Due to the Company offered the shares to the existing shareholders as mention in Note 26 and the offering price of the shares were less than 90 percent of trading price of the shares on the Stock Exchange of Thailand. On 18 November 2016, the Company has adjustment of the exercise price and the exercise ratio of TFD-W4 for the purpose of preserving the interests of TFD-W4 holders, from the existing exercise price of Baht 3.50 per share to Baht 3.262 per share and from the existing exercise ratio of 1 warrant to 1 ordinary share to 1 warrant to 1.073 ordinary shares.

As at 31 December 2016, warrants No.4 (TFD-W4) is outstanding.



**28. Statutory reserve**

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside to a statutory reserve at least 5 percent of its net profit after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of the registered capital. The statutory reserve is not available for dividend distribution.

**29. Expenses by nature**

Significant expenses by nature are as follows:

	Consolidated		(Unit: Thousand Baht)	
			Separate	
	financial statements		financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Purchase of land, construction in progress and project development cost	777,220	1,634,051	331,650	748,339
Changes in project development costs	(158,369)	(1,258,217)	(323,291)	(748,338)
Salaries and wages and other employee benefits	50,507	44,952	29,625	33,681
Depreciation and amortisation expenses	112,068	103,100	13,512	13,579
Director and management benefits	72,506	64,259	48,676	42,263
Rental expenses from operating lease agreements	21,994	20,010	14,366	14,164

**30. Income tax**

Income tax for the years ended 31 December 2016 and 2015 are made up as follows:

	Consolidated		(Unit: Thousand Baht)	
			Separate	
	financial statements		financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>Current income tax:</b>				
Current income tax charge	19,716	8,589	-	-
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	(30,235)	(50,447)	(2,421)	(56,416)
<b>Income tax reported in the statement of comprehensive income</b>	<u>(10,519)</u>	<u>(41,858)</u>	<u>(2,421)</u>	<u>(56,416)</u>

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2016 and 2015 are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Deferred tax relating to gain (loss) on changes in value of available-for-sale investments	(630)	630	(630)	630
Deferred tax relating to actuarial gain (loss)	(769)	-	82	-
Total	(1,399)	630	(548)	630

The reconciliation between accounting profit (loss) and income tax is shown below.

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2016	2015	2016	2015
Accounting loss before tax	(328,866)	(342,748)	(320,045)	(312,702)
Applicable tax rate	20%	20%	20%	20%
Accounting loss before tax multiplied by income tax rate	(65,773)	(68,550)	(64,009)	(62,540)
Effect of elimination entries on the consolidated financial statements	(15,345)	12,821	-	-
Unrecognised deferred tax assets on unused tax loss	77,367	-	75,887	-
Utilisation of previously recognised deferred tax assets	1,753	804	-	-
Effects of:				
Dividend income which exempt for income tax	(15,212)	(4,741)	(15,168)	(4,542)
Non-deductible expenses	8,648	18,835	922	10,723
Additional expense deductions allowed	(1,957)	(1,027)	(53)	(57)
Total	(8,521)	13,067	(14,299)	6,124
Income tax reported in the statement of comprehensive income	(10,519)	(41,858)	(2,421)	(56,416)

The components of deferred tax assets and deferred tax liabilities are as follows:

(Unit: Thousand Baht)

	Statements of financial position			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>Deferred tax assets</b>				
Allowance for doubtful accounts	1,657	1,658	37	37
Unrealised gain	30,241	30,241	-	-
Long-term provision	474	474	474	474
Unused tax loss	168,009	139,874	110,283	110,283
Provision for long-term employee benefits	3,109	3,287	1,751	2,858
Project development costs	7,712	3,763	7,712	3,763
Others	1,040	1,465	-	-
Total	212,242	180,762	120,257	117,415
<b>Deferred tax liabilities</b>				
Unrealised gain on trading securities	900	-	900	-
Unrealised gain on available-for-sale securities	-	630	-	630
Liabilities under financial lease and hire - purchase agreements	596	1,019	443	840
Total	1,496	1,649	1,343	1,470
Deferred tax assets - net	210,746	179,113	118,914	115,945

Details of expiry date of unused tax loss are summarised as below:

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
31 December 2019	414,966	431,080	283,127	283,127
31 December 2020	270,953	270,953	268,289	268,289
31 December 2021	549,725	-	379,434	-
	1,235,644	702,033	930,850	551,416

As at 31 December 2016, the Company and its subsidiaries have deductible temporary differences and unused tax losses totaling Baht 437 million (Separate financial statements: Baht 421 million), on which deferred tax assets have not been recognised as the Company and its subsidiaries believe that their future taxable profits may not be sufficient to and allow utilisation of the temporary difference and unused tax losses.

### 31. Earnings per share

Basic earnings (loss) per share is calculated by dividing profit (loss) for the year attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year.

Diluted earnings (loss) per share is calculated by dividing profit (loss) for the year attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year plus the weighted average number of ordinary shares which would need to be issued to convert all dilutive potential ordinary shares into ordinary shares. The calculation assumes that the conversion took place either at the beginning of the year or on the date the potential ordinary shares were issued.

No diluted earnings (loss) per share has been presented because the following

- a) An exercise price of the 4th series of warrant to purchase the ordinary shares of the Company (TFD-W4) was higher than the average market price of the Company's shares for the year ended 31 December 2016.
- b) The 2nd series of warrant to purchase the ordinary shares of the Company (TFD-W2) and the 3rd series of warrant to purchase the ordinary shares of the Company (TFD-W3) were expired during the second period of current year without exercisable and the exercise price were higher than the average market price of the Company's shares during the year ended 31 December 2016.

The following table sets forth the computation of basic earnings (loss) per share:

Consolidated financial statements					
For the year ended 31 December					
Loss		Weighted average number of ordinary shares		Loss per share	
<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
(Thousand Baht)	(Thousand Baht)	(Thousand shares)	(Thousand shares)	(Baht)	(Baht)
<b>Basic earnings (loss) per share</b>					
Loss attributable to equity holders of the Company					
(322,891)	(304,462)	1,289,197	1,283,501	(0.2505)	(0.2372)

Separate financial statements					
For the year ended 31 December					
Loss		Weighted average number of ordinary shares		Loss per share	
2016	2015	2016	2015	2016	2015
(Thousand Baht)	(Thousand Baht)	(Thousand shares)	(Thousand shares)	(Baht)	(Baht)
<b>Basic earnings (loss) per share</b>					
Loss attributable to equity holders of the Company					
(317,624)	(256,286)	1,289,197	1,283,501	(0.2464)	(0.1997)

## 32. Segment information

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance. The chief operating decision maker has been identified as the Executive Chairman of the group.

For management purposes, the Company and its subsidiaries have five reportable segments as follows:

- (1) Land and factory building for sale segment concerns purchase of land to develop and to construct a factory as well as utilities with an objective to sell the empty developed land and the land with factory thereon.
- (2) Land and warehouse building for rent segment concerns purchase or long-term lease of land for development and construction of warehouse building as well as utilities with an objective to rent out the land with warehouse building thereon.
- (3) Office building for rent segment concerns long-term lease of land for development and construction of office with an objective to rent out office space and provide services.
- (4) Residential condominium units for sale segment concerns construction of residential condominium in city center and suburban area for sale to general people.
- (5) REIT manager segment. (At now, there is no trading activity of REIT manager segment during the current year therefore REIT manager segment information hasn't been presented).

No operating segments have been aggregated to from the above reportable operating segments of the Company and its subsidiaries.

The chief operating decision maker monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and assessing performance. Segment performance is measured based on operating profit or loss, total assets and total liabilities and on a basis consistent with that used to measure operating profit or loss, total assets and total liabilities in the financial statements.

The basis of accounting for any transactions between reportable segments is consistent with that for third party transactions.

The following tables present revenue, profit (loss), total assets and total liabilities information regarding the Company and its subsidiaries' operating segments for the year ended 31 December 2016 and 2015.

(Unit: Million Baht)

For the year ended 31 December

[illegible]



(Unit: Million Baht)

	Land and factory building for sale <sup>(1)</sup>		Land and warehouse building for rent <sup>(2)</sup>		Office building for lease <sup>(3)</sup>		Residential condominium units for sale <sup>(4)</sup>		Others		Eliminations		Consolidation	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
As at 31 December														
Investment properties	249	-	954	1,198	175	195	-	-	-	-	(36)	-	1,342	1,393
Project development costs	5,226	4,841	-	-	-	-	1,575	1,823	-	-	(182)	(203)	6,619	6,461
Leasehold rights	43	46	-	-	281	318	-	-	-	-	-	-	324	364
Central properties	5,020	5,343	76	70	135	173	176	357	1	8	(4,013)	(4,514)	1,395	1,437
Total assets	10,538	10,230	1,030	1,268	591	686	1,751	2,180	1	8	(4,231)	(4,717)	9,680	9,655
Loans	3,022	3,438	427	577	-	-	233	54	-	-	-	-	3,682	4,069
Trade and other payables	175	145	27	33	24	25	62	54	-	-	(1)	(1)	287	256
Debentures	3,086	3,083	-	-	-	-	-	-	-	-	-	-	3,086	3,083
Income tax payable	-	-	9	7	-	-	5	-	-	-	-	-	14	7
Central liabilities	1,673	1,225	478	547	355	462	987	1,648	1	-	(3,043)	(3,544)	451	338
Total liabilities	7,956	7,891	941	1,164	379	487	1,287	1,756	1	-	(3,044)	(3,545)	7,520	7,753

### Geographic information

Revenue from external customers is based on locations of the customers.

	(Unit: Thousand Baht)	
	<u>2016</u>	<u>2015</u>
Revenue from external customers		
Thailand	773,535	690,303
United Kingdom	103,159	85,914
Total	<u>876,694</u>	<u>776,217</u>
Non-current assets		
(other than financial instruments and deferred tax assets)		
Thailand	845,969	693,846
United Kingdom	954,109	1,197,289
Total	<u>1,800,078</u>	<u>1,891,135</u>

### Major customers

For the year 2016 and 2015, the Company and its subsidiaries have no major customer with revenue of 10 percent or more of an entity's revenues.

### 33. Provident fund

The Company, its subsidiaries and their employees have jointly established a provident fund in accordance with Provident Fund Act B.E. 2530. The Company, its subsidiaries and their employees contributed to the fund monthly at the rates of 5 to 10 percent of basic salary. The fund, which is managed by MFC Asset Management Public Company Limited and TMB Asset Management Company Limited, will be paid to employees upon termination in accordance with the fund rules. During the year 2016, the Company and its subsidiaries contributed as expenses Baht 3 million to the fund (2015: Baht 3 million) (Separate financial statements: Baht 2 million, (2015: Baht 2 million)).

### 34. Commitments and contingent liabilities

#### 34.1 Capital commitments

34.1.1 As at 31 December 2016, the subsidiary had outstanding capital commitments of approximately Baht 739 million (2015: Nil) in respect of purchase of project.

34.1.2 The Company and its subsidiaries had commitments in respect of agreements to design, improve and construct a residential condominium for sale and a construction management and supervision agreement as follows:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Construction management and supervision agreement	321	-	-	-
Agreements to design, improve and construct a residential condominium for sale	293	78	78	67
Total	614	78	78	67

34.1.3 The Company and its subsidiaries had commitments under the following agreements in respect of TFD Industrial Estate project and other projects as follow:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Agreement to construct building and utilities system	40	276	15	11
Agreement to buy land for project development	497	437	497	437
Total	537	713	512	448

#### 34.2 Operating lease commitments

34.2.1 The Company and its subsidiaries have entered into several lease agreements in respect of the lease of building space and other services. The terms of the agreements are generally between 1 and 3 years.

As at 31 December 2016, future minimum lease payments required under these non - cancellable operating leases contracts were approximately Baht 58 million (2015: Baht 23 million).

34.2.2 The Company leased land from the Privy Purse Bureau on which it has the right to construct a residential building. As at 31 December 2016, the Company had the following commitments in respect of the agreement:

- (1) The permit to construct the residential building is to be under the name of the Privy Purse Bureau and the ownership of the building and other constructions on this land is to be transferred to the Privy Purse Bureau, while the Company is to pay all expenses related to the construction of the building until completion.
- (2) The construction period is 5 years starting from the date the permit to construct the new building is granted by the relevant government agency.
- (3) The lease period is 30 years commencing from the end of the construction period as per (2). However, if the construction is completed earlier than the specified completion date, the lease period shall commence from the completion date. Rental payment is to be made on a monthly basis at a rate of Baht 500,000 per month in the first year, with the rate to be increased by 5% per annum every year until the end of the lease period.
- (4) Throughout the construction period, the Company is obliged to pay compensation for loss of benefit at a rate of Baht 500,000 per month, commencing from September 2010, together with a gate pass fee of Baht 7,585 per month.
- (5) The Company was to submit a letter of guarantee with a credit line of Baht 50 million (already submitted a letter of guarantee).
- (6) Land rental deposit has been paid on agreement date amounted to Baht 1,500,000.

34.2.3 The subsidiary has annual lease payment commitments to the Industrial Estate Authority of Thailand related to its operation of its factory rental business for a period of 15 years.

As at 31 December 2016 and 2015, the balance of commitments is as follows:

	(Unit: Million Baht)	
	<u>2016</u>	<u>2015</u>
Payable:		
Up to 1 year	2	2
From 1 to 5 years	2	4
Total	<u>4</u>	<u>6</u>

- 34.2.4 The Privy Purse Bureau granted the subsidiary leasehold rights to land and the right to construct a residential building on such land, with a lease term of 30 years from November 1993 to October 2023. The residential building is initially under the ownership of the Privy Purse Bureau. As at 31 December 2016 and 2015, the subsidiary has the following outstanding rental commitments:

	(Unit: Million Baht)	
	<u>2016</u>	<u>2015</u>
Payable:		
Up to 1 year	4	4
From 1 to 5 years	17	16
Over 5 years	9	13
Total	<u>30</u>	<u>33</u>

The subsidiary also has gate pass fee commitments of Baht 50,000 per month.

- 34.2.5 The subsidiary was granted leasehold rights to land by a company and the right to construct an office building on such land, with a lease term of 30 years, from December 1995 to November 2025. The ownership of this office building will be assigned to the sub-lessees upon the termination of the lease agreement.

### 34.3 Long-term service commitments

- 34.3.1 As at 31 December 2016, the Company had commitments in respect of an agreement to develop TFD Industrial Estate project in collaboration with the Industrial Estate Authority of Thailand. The Company has to pay an annual fee for supervision of services rendered within the area of the project of approximately Baht 1 million, commencing in 2009. Such fee may be increased by no more than 10% on the existing fee, every 3 years.

- 34.3.2 As at 31 December 2016 and 2015, the Company and subsidiaries have commitments under service agreement as follows:

	(Unit: Million Baht)			
	Consolidated financial statements		Separate financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Payable:				
Up to 1 year	22	21	7	6
From 1 to 5 years	7	11	4	4
Total	<u>29</u>	<u>32</u>	<u>11</u>	<u>10</u>

**34.4 Guarantees**

34.4.1 As at 31 December 2016, the Company has provided guarantees for bank loan and credit facilities of subsidiaries totaling Baht 1,562 million (2015: Baht 1,250 million)

34.4.2 As at 31 December 2016, there were outstanding bank guarantees issued by the banks on behalf of the Company and its subsidiaries as follows:

Letter of guarantee	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
To guarantee performance under the agreement with the Industrial Estate Authority of Thailand	10	4	10	4
To guarantee relating to the electricity use and others	9	10	1	2
Total	19	14	11	6

**34.5 Litigations**

Outstanding litigations as at 31 December 2016 are detailed below.

- a) In 2012, a company (the plaintiff) sued the Company as a joint defendant (the fourth defendant), together with the local administration of Paknampran Sub-District, petitioning the Court to revoke the construction permit of The Colonial Kao Tao Hua Hin project, a project of the Company, since the construction permit allowed the construction closer than the 200 meter distance from the shoreline stated in an announcement by the Ministry of Natural Resources and Environment and such construction permit was therefore in violation of the law. The plaintiff also petitioned to have the court order the defendants not to carry out construction or any other action until the case is finalised. Subsequently, on 23 August 2013, the Administrative Court of First Instance ordered the suspension of the construction under the permit until the Court issues a judgement or others order otherwise. However, the Company appealed the order of the Administrative Court of First Instance on 25 September 2013.

On 27 March 2014, the Supreme Administrative Court reversed the order of the Administrative Court of First Instance, lifting the measures for temporary relief or protection before judgement.

On 21 November 2014, the Administrative Court of First Instance order to revoked the construction permit of condominium with a height over 12 meters from ground level up to the height of the building. However, the Company appealed against the order of the Administrative Court of First Instance on 19 December 2014.

The Company's management has used judgement to assess the outcome of the lawsuit and the damage caused by the suspension of construction work, and believes that they will not result in any damage to the value of project. The Company therefore did not record allowance for diminution in the value of the project or a provision for liabilities as a result of the lawsuit as at the end of the reporting period.

- b) In 2016, the subsidiary is being sued as defendant in relation to the breach of a sales contract, with the plaintiff asking the subsidiary to refund a deposit of Baht 0.5 million to the plaintiff and pay damages of Baht 2.8 million, or a total claim of Baht 3.3 million, together with interest at a rate of 7.5 percent per annum. The case is currently being heard by the Court of First Instance. However, in the opinion of the subsidiary's lawyers and management, the subsidiary will not incur any losses from this litigation.

### 34.6 Contingent liabilities

Total Industrial Services Company Limited ("the Subsidiary") has contingent liabilities in respect of the compensation payable to MFC Industrial Investment Property and Leasehold Fund ("the Fund"), in the event that the land of the Kingkaew Project is expropriated, in accordance with the conditions of agreement made between the subsidiary and the Fund. The maximum amount that the subsidiary may have to pay to the Fund is approximately Baht 27 million, calculated based on the rate specified in the agreement. The Company and the subsidiary's management have used judgement to estimate the losses in this event and believes that the Fund would not suffer any losses in the event that the land is expropriated and the subsidiary will not have to pay any compensation to the Fund. The Company and its subsidiary therefore did not record any contingent liabilities in respect of this matter as at the end of the reporting period.

### 35. Fair value hierarchy

As at 31 December 2016 and 2015, the Company and its subsidiaries had the assets and liabilities that were measured at fair value or disclose fair value using different levels of inputs as follows:

(Unit: Million Baht)

As at 31 December 2016			
Consolidated Financial Statements			
	Level 1	Level 2	Level 3
<b>Assets measured at fair value</b>			
Short-term investment in open-end			
fixed income fund - Debt instruments	-	13	-
Investment in trading securities - Equity instruments	202	-	-
<b>Assets for which fair value are disclosed</b>			
Investment properties	-	-	1,544
<b>Liabilities for which fair value are disclosed</b>			
Debentures	-	3,101	-



(Unit: Million Baht)

As at 31 December 2016			
Separate Financial Statements			
Level 1	Level 2	Level 3	Total
<b>Assets measured at fair value</b>			
Investment in trading securities - Equity instruments	202	-	202
<b>Liabilities for which fair value are disclosed</b>			
Debentures	-	3,101	3,101

(Unit: Million Baht)

As at 31 December 2015			
Consolidated Financial Statements			
Level 1	Level 2	Level 3	Total
<b>Assets measured at fair value</b>			
Short-term investment in open-end			
fixed income fund - Debt instruments	-	29	29
Investment in trading securities - Equity instruments	51	-	51
Investments in available-for-sale securities -			
Equity instruments	208	-	208
<b>Assets for which fair value are disclosed</b>			
Investment properties	-	1,508	1,508
<b>Liabilities for which fair value are disclosed</b>			
Debentures	-	3,108	3,108

(Unit: Million Baht)

As at 31 December 2015			
Separate Financial Statements			
Level 1	Level 2	Level 3	Total
<b>Assets measured at fair value</b>			
Short-term investment in open-end			
fixed income fund - Debt instruments	-	29	29
Investment in trading securities - Equity instruments	51	-	51
Investments in available-for-sale securities -			
Equity instruments	208	-	208
<b>Liabilities for which fair value are disclosed</b>			
Debentures	-	3,108	3,108

## **36. Financial instruments**

### **36.1 Financial risk management**

The Company's financial instruments, as defined under Thai Accounting Standard No.107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade and other receivable, loans, investments, trade and other payable, liabilities under finance lease and hire-purchase agreement, short-term, debentures and long-term loans. The financial risks associated with these financial instruments and how they are managed is described below.

#### ***Credit risk***

The Company is exposed to credit risk primarily with respect to trade and other receivable and loans. The management manages the risk by adopting appropriate credit control policies and procedures and therefore does not expect to incur material financial losses. The maximum exposure to credit risk is limited to the carrying amounts of receivables and loans to as stated in the statement of financial position.

#### ***Interest rate risk***

The Company's exposure to interest rate risk relates primarily to its cash at banks, loans, bank overdrafts, short-term, debentures, liabilities under financial lease and hire-purchase agreements and long-term borrowings. However, since most of the Company's and its subsidiaries financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate, the interest rate risk is expected to be minimal.

Significant financial assets and liabilities classified by type of interest rate are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

(Unit: Million Baht)

## Consolidated financial statement as at 31 December 2016

	Fixed interest rates		Floating interest rate	Non- interest bearing	Total	Interest rate (% per annum)
	Within 1 year	1-5 years				
<u>Financial Assets</u>						
Cash and cash equivalent	-	-	265	-	265	0.20 - 1.25
Short-term investment	-	-	-	13	13	-
Investment in trading securities	-	-	-	202	202	-
Trade and other receivables	-	-	-	52	52	-
Deposits at bank with restrictions	-	80	-	-	80	0.80 - 2.25
	-	80	265	267	612	
<u>Financial liabilities</u>						
Overdrafts and short-term loans	1,977	-	-	-	1,977	4.00 - 7.25
Trade and other payables	-	-	-	287	287	-
Debentures	2,243	843	-	-	3,086	5.85 - 6.00
Long-term loans from financial institutions	52	375	1,278	-	1,705	MLR, 4.11, 4.15
Liabilities under finance lease and hire-purchase agreements	6	4	-	-	10	2.35 - 12.18
Long-term loans and interest payable from related parties	109	78	-	-	187	15.00
	4,387	1,300	1,278	287	7,252	

(Unit: Million Baht)

## Separate financial statement as at 31 December 2016

	Fixed interest rates		Floating interest rate	Non- interest bearing	Total	Interest rate (% per annum)
	Within 1 year	1-5 years				
<u>Financial Assets</u>						
Cash and cash equivalent	-	-	192	-	192	0.30 - 1.20
Investment in trading securities	-	-	-	202	202	-
Trade and other receivables	-	-	-	18	18	-
Loans and interest receivable to related parties	2,377	123	-	-	2,500	5.25 - 15.00
Deposits at bank with restrictions	-	61	-	-	61	0.80 - 2.25
	2,377	184	192	220	2,973	
<u>Financial liabilities</u>						
Overdrafts and short-term loans	1,930	-	-	-	1,930	5.25 - 7.25
Trade and other payables	-	-	-	131	131	-
Interest payable to subsidiary	-	-	-	8	8	-
Debentures	2,243	843	-	-	3,086	5.85 - 6.00
Long-term loans from financial institutions	-	-	421	-	421	MLR
Liabilities under finance lease and hire-purchase agreements	5	4	-	-	9	4.29 - 12.18
	4,178	847	421	139	5,585	

(Unit: Million Baht)

## Consolidated financial statement as at 31 December 2015

	Fixed interest rates		Floating interest rate	Non- interest bearing	Total	Interest rate (% per annum)
	Within 1 year	1-5 years				
<b>Financial Assets</b>						
Cash and cash equivalent	-	-	303	1	304	0.50 - 2.50
Short-term investment	-	-	-	29	29	-
Investment in trading securities	-	-	-	51	51	-
Trade and other receivables	-	-	-	22	22	-
Short-term loans and interest receivable to related party	180	-	-	-	180	7.00
Deposits at bank with restrictions	-	84	-	-	84	0.10 - 2.15
Investment in available-for-sales securities	-	-	-	208	208	-
	180	84	303	311	878	
<b>Financial liabilities</b>						
Overdrafts and short-term loans	2,191	-	-	-	2,191	4.00 - 5.40
Trade and other payables	-	-	-	257	257	-
Debentures	1,691	1,392	-	-	3,083	5.50 - 6.00
Long-term loans from financial institutions	57	519	1,301	-	1,877	MLR, 4.11, 4.15
Liabilities under finance lease and hire-purchase agreements	5	7	-	-	12	2.35 - 12.18
Long-term loans and interest payable from related parties	88	154	-	-	242	15.00
	4,032	2,072	1,301	257	7,662	

(Unit: Million Baht)

## Separate financial statement as at 31 December 2015

	Fixed interest rates		Floating interest rate	Non- interest bearing	Total	Interest rate (% per annum)
	Within 1 year	1-5 years				
<b>Financial Assets</b>						
Cash and cash equivalent	-	-	23	1	24	0.50 - 2.50
Short-term investment	-	-	-	29	29	-
Investment in trading securities	-	-	-	51	51	-
Trade and other receivables	-	-	-	5	5	-
Loans and interest receivable to related parties	2,728	178	-	-	2,906	5.25 - 15.00
Deposits at bank with restrictions	-	61	-	-	61	0.10 - 2.15
Investment in available-for-sales securities	-	-	-	208	208	-
	2,728	239	23	294	3,284	
<b>Financial liabilities</b>						
Overdrafts and short-term loans	1,896	-	-	-	1,896	4.85 - 5.40
Trade and other payables	-	-	-	147	147	-
Interest payable to subsidiary	-	-	-	8	8	-
Debentures	1,691	1,392	-	-	3,083	5.50 - 6.00
Long-term loans from financial institutions	-	-	715	-	715	MLR
Liabilities under finance lease and hire-purchase agreements	5	6	-	-	11	4.29 - 12.18
	3,592	1,398	715	155	5,860	

### ***Foreign currency risk***

The Company's exposure to foreign currency risk is limited since nearly all business transactions are denominated in Thai Baht.

In addition, the Company and its subsidiaries are exposed to foreign exchange risk on their investment in overseas subsidiaries. This investments are currently not hedge by derivative financial investments.

### **36.2 Fair values of financial instruments**

Since the majority of the Company's and its subsidiaries' financial instruments are short-term in nature or bear interest rates which close to market rate, their fair value is not expected to be materially different from the amounts presented in statement of financial position.

During the current period, there were no transfers within the fair value hierarchy.

### **37. Capital management**

The primary objective of the Company's capital management is to ensure that it has appropriate capital structure in order to support its business and maximise shareholder value. As at 31 December 2016, the Group's debt-to-equity ratio was 3.48:1 (2015: 4.08:1) and the Company's was 2.42:1 (2015: 3.03:1).

### **38. Reclassification**

Reclassification has been made to the consolidated comprehensive income statement for the year ended 31 December 2015 to conform to the current year's classification with no effect to previously reported total comprehensive income for the year and total shareholders' equity.

### **39. Approval of financial statements**

These financial statements were authorised for issue by the Company's Board of Directors on 27 February 2017.

## Business Overview

### 1. Structure of incomes of the Company and subsidiaries

	2014		2015		2016	
	Million Baht	%	Million Baht	%	Million Baht	%
1. Land and factory building business at the TFD Industrial Estate and other industrial estates						
- Sales incomes	-	-	-	-	18.17	1.84
- Rent and service incomes	44.70	3.06	116.55	13.33	141.47	14.35
2. Office space for rent business						
- Rent and service incomes	188.90	12.89	179.17	20.49	179.99	18.25
3. Residential condominium business	1,151.35	78.58	480.50	54.95	537.07	54.45
4. Other incomes	80.18	5.47	98.22	11.23	109.55	11.11
<b>Total incomes</b>	<b>1,465.13</b>	<b>100.00</b>	<b>874.44</b>	<b>100.00</b>	<b>986.25</b>	<b>100.00</b>

### 2. Business of each product line

#### 2.1 Nature of products and service

The Company and subsidiaries develop properties in a variety of shapes and forms, as of December 31, 2014 can be classified into six main business groups as follows.

- Industrial estate
- Standard factory/warehouse
- Residential project (condominium)
- Office building for rent
- Property management service
- Managing Real Estate Investment Trust (REIT)

#### 1) Industrial estate

In 2007, the Company set up the TFD Industrial Estate at Bangpakong District, Chachoengsao Province, to develop land, set up basic infrastructure and build standard factory buildings. The Company signed a joint-operation contract with the Industrial Estate Authority of Thailand (IEAT) and provided for Thai and foreign investors lands for rent in two zones; namely, General Zone and Free Zone. Target groups of customers were businesses in the auto part industry, electronics and manufacturing industry not generating pollution.

To facilitate investors, the Company chose the site located not so far from Bangkok along the Motorway at Km 43 next to an exit into the Chachoengsao-Chonburi Highway. The site is flanked with convenient highways and not prone to flood which makes it extremely ideal to build factories and warehouses as a logistics center. Thanks to the site's competitive advantage as it's no more than 20 minutes from the Suvarnabhumi Airport and no more than 40 minutes from the LaemChabang Deep Sea Port plus its close proximity to Bangkok, Thailand's capital, the location has become a very highly potential one. Most of the Company's customers are invested in electronic parts and auto part industries. In addition, the government plans to develop areas in Chachoengsao, Chonburi and Rayong as the Special Economic Zone.

Known as the Eastern Economic Corridor (EEC), the megaproject will be connected with the country's western corridor. The government expects to invest around Baht 300 billion to develop basic infrastructure and provide tax privileges to support investment in this area, which in return should attract more than Baht 1.9 trillion worth of investment in 10 basic industries touted as Thailand's new engine of growth. The EEC is anticipated to become the country's main investment hub, which should benefit TFD's project area because it will boost the project's sales opportunity. As of December 31, 2016, the TFD Industrial Estate had two operation phases as follows.

**(1) TFD Industrial Estate 1**

Of the project's entire area totaling 303 rai, 230.47 rai of the TFD Industrial Estate 1 are generating incomes. Of this, 74 rai are in Free Zone and 156 rai are in General Zone. Since 2011, the Company has recognized incomes from the project both from sales of vacant land and sales of land along with completed factory buildings. There remained only 2.76 rai of the total income-generating lands left unsold

**(2) TFD Industrial Estate 2**

TFD plans to expand areas in the TFD Industrial Estate 2 located next to the TFD Industrial Estate 1. We purchased approximately 1,977 rai of vacant lands in December 2016. The area was subsequently approved for change of land use into industrial purpose. On November 10, 2016, TFD and the Industrial Estate Authority of Thailand (IEAT) signed a joint operation contract where IEAT has allowed us to establish the TFD Industrial Estate Phase 2. For TFD Industrial Estate 1 which currently embraces 841 rai of land, TFD is currently developing the land, adjusting its landscape, building basic infrastructure and preparing an Environmental Impact Assessment (EIA) report which was approved by the public hearing held for the first and second time between November 10-11, 2016 and January 25-26, 2017, respectively. On March 10, 2017, we submitted the EIA report to the Office of Natural Resources and Environment Planning and Policy (ONEP). Once the report is approved, it will be submitted to the IEAT for permission to do land plots and to issue title deeds for further land sales. The process should complete by Q2/2017.

**2) Standard factory/warehouse building**

**a) Standard factory/warehouse building**

The Company's business is to build standard ready-built factories and warehouses for sales in industrial estates and industrial zones at various locations to offer to investors where commuting conveniences, transport, communications, infrastructure, safety and appropriate surrounding environment are taken into consideration. Besides, factories are built both in the industrial zones and at free-trade zone as required by investors. The Company set up a subsidiary named Barnsley Warehouse Limited was established on April 22, 2003 and Bognor Regis Warehouse Limited was established on January 27, 2015 for investment in land and warehouse for sale and rent in the UK.

The standard completed factory is typically offered as a one-floor building with mezzanine floor for use as office in varying sizes from 1,000 square meters to 3,000 square meters. The factory is built at a fenced-in site to also include a security guard's house and parking space. The factory floor can accommodate 3 metric tons per square meter. Investors is able to various options to such as purchase or lease of warehouses or with a right to buy them later. The rental term of most lease agreements that the Company has signed with customers is 3 years with an option for renewal. Customer is required to deposit 3 — 6 months payment.



The following table features information of completed factory buildings and occupancy rate of both the Company.

Completed factory building	Number o factory buildings at the beginning of period	Number of factory buildings sold to the property fund	Number of factory buildings at end of period		Average annual occupancy rate
			With tenants	No tenants	
<u>2014</u>					
Number (buildings)	5	-	4	1	-
Area (square meters)	8,910.00	-	8,610.00	750.00	96.63%
<u>2015</u>					
Number (buildings)	13	-	4	9	-
Area (square meters)	66,485.00	-	8,610.00	58,325.00	12.95%
<u>2016</u>					
Number (buildings)	34	-	8.50	25.50	-
Area (square meters)	105,601.00	-	20,390.00	85,211.00	19.31%

As of December 2016, TFD had altogether 34 ready-built factories and warehouses as follows.

- 5 ready-built factories in the Laem Chabang Industrial Estate totaling 8,910 square meters of rental space
- 8 ready-built factories and warehouses in the TFD Industrial Estate at Tha Sa-an, Chachoengsao Province (the Green Park 1 Project) totaling 57,575 square meters of sales and rental space (an average of 3,625-7,750 square meter of space per structure). Two tenants already rent a total of 11,000 square meters.
- 21 ready-built factories and warehouses at Bangsaothong, Samutprakan Province (the Green Park 2 and 3 Project) totaling 39,116 square meters of rental space (an average of 750-3,330 square meter per structure). At present, we have four tenants renting a total of 9,390 square meters ready-built factories. In addition, on March 9, 2017, TISCOM signed a contract to rent a ready-built factory in the Green Park 3 Project totaling 1,620 square meters and is in the process of ownership transfer.

The Company's standard warehouse building is a one-storey building with mezzanine floor for use as office offered in various sizes from 2,000 square meters to 10,000 square meters. The warehouse is built at a fenced-in site with a security guard's house, parking space and loading space. The warehouse's floor can accommodate up to 3 metric tons per square meter and to 5 metric tons per square meter

In addition, we can be hired to build custom-made warehouses or factories in various designs to provide customers with options as they may want to buy a land with factory or lease the land with the factory or to get the right to buy land later.

The rental term of most lease agreements that the Company has signed with customers lasts 3 years with option for customers to renew. The Company requires customers to deposit 3 - 6 months payment.

The following table features information of completed warehouse buildings and occupancy rate of both the Company

Year when lease agreements become due	Ratio of rent incomes vs. total rent incomes (%)
2017	23.76
2018	29.11
2019	39.99
2023	7.14
<b>Total</b>	<b>100.00</b>

At present, the Company offers factories and warehouses for customers to rent. The table above shows the ratio of rent revenues compared to total rent revenues under lease agreements to be expired between 2017-2023.

**b) Warehouse in the UK**

In addition, TISCOM has invested in properties in the UK through two subsidiaries as follows.

- Barnsley Warehouse Limited, which has entered into a long-term land lease agreement of two factories totaling 15,816 square meters currently leased to Beatson Clark Limited, a glassware manufacturer for use in chemical, food and beverages industries. The lease term is 20 years scheduled to expire on May 15, 2021 at the monthly rental rate of £50,416.
- Bognor Regis Warehouse Limited, which has bought the land with four warehouses, a single-story factory, a two-story office building and a dormitory totaling 27,628 square meters. The space is currently leased by John Wiley & Sons Limited, the world's leading printing house of school, research and education materials. The lease term is 15 years to expire in August 2021. The monthly rent is £141,667.

**3) Residential project (condominium)**

The Company started developing two residential condominium projects for the first time; namely, the Lakegreen Apartment Project and the 59 Heritage Project, At present, the Company has four ongoing projects as follows:

- The 15 Sukhumvit Residence Project
- The Harbour View Residence
- The Colonial Kao Tao Hua Hin Project
- The Mahadlek Residence Project

#### (1) The 15 Sukhumvit Residence Project

Situated between Soi 13 and Soi 15 on Sukhumvit Road, the 2-3-73 rai project is a 25-floor reinforced concrete tower bought by the company in 2010. The total project value is Baht 3,716 million. The project's total useable area is 59,113 square meters of which 31,659 square meters are sellable areas. There are 505 units for sales of which 492 units are residential condominium and 13 units are for commercial purpose. As of December 31, 2016, the Company sold 386 residential units and commercial space for a total sales value of Baht 2,278.15 million. There remain 194 units of approximately Baht 1,429.41 million sales values left unsold. The Company plans to close the project's sales within 2018.



#### (2) The Harbour View Residence

In 2015, Crown Development Co Ltd invested in a 1-3-31 rai of land with building located on Ranong Road, Kwaeng Klongtoey, Klongtoey District, Bangkok. The project will be developed as a 472-unit condominium with saleable area of 20,000 square meters. As of March 30, 2016, the Company entered an agreement to sell the entire project in advance to Blue Ocean Real Estate Co Ltd at a total price of Baht 1.620 billion.

At present, it hires Saeng Fa Construction Co Ltd as the project's structural, architectural and hardscape contractor and MECT Co Ltd as its M&E engineering, electrical and communication, sanitation and fire-protection, air-conditioning and ventilation and hardscape contractor. As of December 31, 2016, the construction progress was at 17.34%. We received a total of Baht 164 million from Blue Ocean Real Estate Co Ltd as a down payment and installments. The construction will complete by end of 2017 and ownership should be transferred by mid 2017. Details of schedules to receive the remaining payments are as follows.

- Baht 82 million by March 31, 2017
- Baht 697 million by March 31, 2018
- Baht 677 million by June 30, 2018



### (3) The Colonial Kao Tao Hua Hin

A residential condominium, the project is located at Kao Tao, Tambon Paknam Pran, Pranburi District, Prachuab Kiri Khan Province, in the 9-0-42 rai of land. With a total value of around Baht 3,375 million. The Company already completed the construction of the 3-storey office building which was used as a sales office. The construction of a condominium building however was temporarily suspended in December 2014 since the project was involved in a lawsuit (Details are in Section 1, Topic 3: Risk Factors). As of December 31, 2016, the Company continued to delay the project due to the litigation.



### (4) The Mahadlek Residences

The residential project consists of one 41-storey building located in a 1-3-28 rai of land in Soi Mahadlek Luang 2, Rajdamri Road. The land owned by Office of Privy Purse. The lease term is 30 years from the due construction period (which according to the contract requires that the construction period of the project be five years from the day it has been approved by Bangkok Metropolitan Administration (BMA) to build a project) or from the day the construction is finished, whichever is earlier.

The Mahadlek Residences Project's EIA report was approved by the Office of Natural Resources and Environment Policy and Planning (ONEP) on June 10, 2014 and received a construction permit on June 1, 2016. At present, the project is temporarily suspended. The Company has already submitted a motion to the court to revoke a court order and expects to receive an approval within 2017.



#### 4) Office building for rent

In 2008, the Company jointly invested in the office for rent business via SG in which it holds 49.91 percent shares where SG has invested in the right to lease the land and the SG Tower 1 office building as well as the right to sub-lease the land and The Millennia office building (SG Tower 2) located in Soi Mahadlek Luang 3, Rajdamri Road, and Langsuan Road for a total rentable area of 26,846.18 square meters. Both the land and the SG Tower 1 are owned by the Office of the Private Privy (the lessor) while the ownership of the land where the Millennia Office Building is located is held by GF Holding Co Ltd (the sub-lessor). The ownership of the Millennia building itself however is held by SG which will belong to GF Holding Co Ltd when the lease term is due in 2025. TFD meanwhile manages the two office buildings for rent. Details are as follows.

##### (1) SG Tower 1

The building is located on the 2-3-85 rai of land at No. 161/1 Soi Mahadlek Luang 3, Rajdamri Road, Kwaeng Lumpini, Pathumwan District, Bangkok. SG Tower 1 is a 19-storey office tower plus two stories of underground parking space offering of common areas and 8,108 square meters of parking space (for 220 cars). As of December 31, 2016, 75.48 percent of the tower's total rentable areas were rented. The building has an average rent income of Baht 6.39 million a month.

##### (2) The Millennia (SG Tower 2)

The building which is located at 62 Langsuan Road, Kwaeng Lumpini, Pathumwan District, Bangkok is situated on the 1-3-22 rai of land and houses one 26-storey office building plus one underground and 9,870 square meters of parking space (to accommodate 220 cars). As of December 31, 2016, 85.51 percent of the tower's total rentable areas were rented. The building has an average rent income of Baht 6.59 million a month.

Most of the rental terms of lease agreements and its customers are three years with options for customers to renew the lease. The Company requires customers to deposit three months' rent as a down payment.

The following table features the Company's office buildings as of December 31, 2016 under operation.

Office building	Location	Nature	Total rental areas (square meters)	Rent area under lease agreements (square meters)	Remaining rent areas (square meters)	Occupancy rate
SG Tower 1	161/1 SoiMahadlekluang 3, Rajdamri Road, Kwaeng Lumpini, Pathumwan District, Bangkok	One 19-storey office tower plus two stories of underground parking space	14,924.82	11,265.27	3,659.55	75.48%
The Millennia	62 Langsuan Road, KwaengLumpini, Pathumwan District, Bangkok	One 26-storey office building plus one underground parking space	11,931.65	10,202.33	1,729.32	85.51%
Grand total			26,856.47	21,467.60	5,388.87	79.93%

## 5) Property management service

The Company started selling land and factory buildings to the TIF1 Property Fund for the first time in 2005 before selling additional assets to the TIF1 Property Fund and the M-II Property Fund again in 2007, 2012 and 2013. Aside from selling land, factory and warehouse buildings, the Company has been appointed as a property manager of the property funds as well as property manager of SG's office buildings for rent in return for management fees summarized as follows.

### The TIF1 Property Fund and the M-II Property Fund

- Property management fees and additional premiums
- Brokerage fees for securing new tenants
- Brokerage fees for contract renewal
- Brokerage fees in case of property sales or transfer of property leasehold (excluding sales of property to property manager or persons within the group of property manager)

(More details can be seen in the property manager appointment contract under Section 3-4: Operating assets.)

As of December 31, 2016 the following are properties managed by the Company:

- (1) The TIF1 Fund is a property fund consisting of freehold assets which mainly invests in land and Factory building located in industrial estates. The TIF1's properties include 25 factories and one consist of 12-units Flatted Factory building located in each of the following sites:



Industrial estate/Industrial zone	Location	Types of service	Areas (square meters)	Number of units (units)
1. The Hi-Tech Industrial Estate	Ayutthaya	Land+Factory	17,248.00	12
2. The Bangpa-in Industrial Estate	Ayutthaya	Land+Factory	1,980.00	1
3. The Navanakorn Industrial Estate	PathumThani	Land+Factory	2,310.00	1
4. The Amata Nakorn Industrial Estate	Chonburi	Land+Factory	9,150.00	7
5. The Bangkadi Industrial Estate	PathumThani	Land+Factory	1,800.00	2
6. The Bangkadi Industrial Estate (four-storey apartment building)	PathumThani	Apartment	8,811.00	12
7. The TFD Industrial Estate 1	Chachoengsao	Land+Factory	3,240.00	2
<b>Grand total</b>			<b>44,539.00</b>	<b>37</b>

- (2) The M-II Fund is a property fund of freehold and leasehold assets which mainly invests in properties and the rights to lease property. The M-II's properties include 36 factories and 17 warehouses located in each of the following sites:

Industrial estate/Industrial zone	Location	Types of service	Types of ownership	Areas (square meters)	Number of units (units)
1. The Navanakorn Industrial Estate	PathumThani	Land+Factory	Freehold	2,160.00	2
2. The TFD Industrial Estate 1	Chachoengsao	Land+Factory	Freehold	27,810.00	16
3. The Laem Chabang Industrial Estate	Chonburi	Land+Factory	Freehold+Leasehold <sup>1</sup>	19,350.00	18
4. The Kingkaew Warehouse	SamutPrakan	Land+ Warehouse	Freehold+Leasehold <sup>2</sup>	15,034.10	17
<b>Grand total</b>				<b>64,354.10</b>	<b>53</b>

- Note:** 1. Factories are freehold properties while lands are leasehold properties. The right to lease the land (28-0-66.09 rai) is to be expired in 2042 while the right to sub-lease the land (1-0-80 rai) will expire in 2018.
2. Warehouses are freehold properties while lands are leasehold properties. The right to lease the land (25-1-96 rai) is to be expired in 2036.

- (3) SG's office buildings for rent which consist of two office buildings connected to each other between SoiMahadlekluang 3, Rajdamri Road and Langsuan Road. Details are as follows:

Office buildings for rent	Rentable area (square meters)	Type of assets	Ownership of the assets
1. SG Tower 1	14,924.82	Right to lease the land and office building (expired in 2023)	The Office of Private Privy
2. The Millennia	11,931.65	Right to sub-lease the land and office building (expired in 2025)	JF Holding Co., Ltd.
<b>Total</b>	<b>26,856.47</b>		



### 3. Marketing and competitions

#### a) Marketing strategies

##### 1) Industrial estate

Target groups of customers for the Company's industrial estate business are supporting industry and major operators who have already bought vacant land in the TFD Industrial Estate. Major target groups of customers are small and medium-sized enterprises (SMEs). Which do not generate pollution who however look for transportation convenience. This refers especially to electronics and auto part manufacturers

The TFD Industrial Estate is located at two meters above sea level and therefore is not prone to flooding. That's why the project is in great demand from investors wishing to buy vacant lands and rent factories here. The project also enjoys Zone 2 investment promotion privileges from the Board of Investment (BOI). In close proximity to Bangkok, the strategic location of the industrial estate gives the project a great competitive advantage. In addition, as of December 31, 2016, the Company accumulated around 2,000 rai of land to be developed as an industrial estate. The land accumulation was gradually done at lower costs compared to its sales prices.

The land in any industrial estate is highly demanded by investors, demands for land in the TFD Industrial Estate have consistently increased. The Company's pricing of its land and rent will however be based on construction costs, funding costs and land prices in the neighborhood. The Company adjusts both the rent and sales prices of vacant land to accord with market conditions on a yearly basis.

The Company has two major sales and distribution channels; namely, sales office of the Company and real estate agents.

At the other end, it communicates with markets through billboards erected at the TFD Industrial Estate, newspapers and websites.

##### 2). Standard factory building/warehouse building

Target groups of customers in the completed factory and warehouse for rent business are small and medium-sized enterprises (SME) as well as Thai and foreign operators wishing to restrict their investment risk during the initial investment phase.

Some foreign investors prefer to set up factory and warehouse in an industrial estate thanks to available public infrastructure and related industrial services. In addition, by concentrating in the industrial estate, they can take advantage from developed transportation system, raw material management and interdependency with other industrial counterparts. This is especially the case of the automobile industry and the petrochemical industry. In addition, completed factory and warehouse building help them save time and labor costs to build a factory to manufacture products. That's why factory and warehouse building for rent is an alternative that enables investors to reduce investment costs while enhancing their competition flexibility. Customers can choose to rent factory and warehouse buildings during an initial phase and will only buy industrial land, factory or warehouse of their own when business subsequently expands. This service also helps the Company to maintain a good long-term relationship with customers as they could focus more at their strategic investment without having to put money into land, factory or warehouse and thereby reduces investment costs while increasing investment returns. As a result, the Company factory and warehouse location and its comprehensive one-stop service center are indeed its competitive advantage.

To set the rent, locations of factory and warehouse as well as rents demanded by competitors or nearby industrial estates are taken into consideration to ensure that the rent remains competitive.

The Company has two main distribution channels; namely, through salespersons and real estate agents. In addition, the Company also advertises through media such as billboards erected at the TFD Industrial Estate, newspapers and website.

### 3). Residential building (Condominium)

Target groups of customers in the residential building project of both the Company are medium-income earners who eye for a condominium in the heart of the city close to skytrain and those wishing to have the second home for weekend retreat.

As of December 31, 2016, the Company have four condominium projects under development and/or sold and/or waiting to be transferred to customers which include (1) the 15 Sukhumvit Residence Project; (2) The Harbour View Residences, (3) the Colonial Kao Tao Hua Hin Project; and (4) The Mahadlek Residence Project. Competitive advantage of the Company in the condominium business is a result of the management's long-time experience in the real estate development industry which enables the Company to effectively select an ideal site for residential projects.

Sales of the project are conducted through two main channels, namely, our salespersons and real estate agents.

### 4). Office building for rent

Target groups of customers are Thai and foreign operators wishing to secure an office in the Central Business District (CBD). The Company's main group of customers is foreign business introduced to the Company by word-of-mouth.

Locations of these two office buildings are connected between SoiMahadlekluang 3, Rajdamri Road and Langsuan Road which are close to two BTS Skytrain stations of Rajdamri and Chidlom. The site is considered a strategic location which helps enhancing the Company's competitive advantage in this office for rent business.

Determines the rent of its office space on the basis of original rents it currently charges customers while rents of neighboring offices are also taken into consideration to ensure the Company's competitiveness. The Company has a policy to adjust its rents every three years based on the rental term to consistently reflect market conditions.

The Company has two major sales and distribution channels consisting of direct sales through the Company's sales office and sales through brokers.

## Status of Industry and Competition

### 1. Industrial Estate

Industrial Estate Authority of Thailand (IEAT) plans to develop new industrial estates in provinces along the border to accommodate anticipated demands resulted from the Asean Economic Community (AEC) already taken off since 2015. This refers especially to Kanchanaburi and Chiangrai provinces. The IEAT also plans to develop eight new industrial estates in provinces along the East-West Economic Corridor. On June 28, 2016, the cabinet resolved to approve a plan to develop the Eastern Economic Corridor Development Project in which the Thai government expected to put in around Baht 300 billion to attract more than Baht 1.9 trillion investment from investors. The area was anticipated to become Thailand's major investment hub linking the country with the western corridor and Myanmar's Dawei as well as connecting through marine transportation with port towns in Cambodia and China. The project will be mainly in three eastern provinces, namely, Chonburi, Rayong and Chacheongsao; and will be divided into the basic industry zone, the infrastructure development zone and the urban development zone. Investment will be made in 10 target industries aimed to drive Thailand's new engine of growth. The Industrial Estate Authority of Thailand (IEAT) still eyes private-sector partners to develop small industrial estates to accommodate needs of small and medium-sized enterprises (SMEs).

The Board of Investment will renew its investment promotion privileges in response to the AEC and also to enhance Thailand's competitiveness since every Asean country now offer investment privileges to attract foreign investors, who, however, express concerns in new investment zones under the newly-amended investment promotion policy as some areas in Thailand still lack proper infrastructure to accommodate industrial development. The government should enhance public utilities and facilities for anticipated investments. However, foreign investors still express concern over the investment zoning under the new investment promotion policy since some areas in Thailand still lack basic infrastructure to accommodate their needs. The government therefore is urged to enhance infrastructure to meet investment requirements. The government should enhance public utilities and facilities for anticipated investments.

The government plans to develop a special economic zone nationwide especially in provinces with Friendship Bridge linking us with our neighbors and along economic corridors linking the East with the West. All special economic zones will consist of commercial, residential and industrial areas. This will have a highly significant meaning to the industrial estate market in the future.

Sales prices of land inside an industrial estate or park will depend on locations, distances from transportation infrastructure and project developers. Sales prices of land offered in Bangkok industrial estates are the highest since Bangkok is the transportation hub with her own port and airports, followed by those in Chachoengsao and Rayong provinces. A vast difference of land prices between Bangkok and Chachoengsao is due to the fact that several industrial estates are located in close proximity to Bangkok. Meanwhile, industrial estates further away from Bangkok find their land prices cheaper especially those in Prachinburi and Saraburi provinces due to their longer distance from Bangkok and their lack of port.

Competition in the industrial estate business remains moderate thanks to few operators and high investment required. Direct competitors are five industrial estates located in proximity; namely, Gateway City, Wellgrow, Amata Nakorn, Asia and TPark. Thanks to the TFD Industrial Estate's strategic location which gives a competitive edge to the project, the Company is able to be a price maker among the standard factory/warehouse business located nearby.

### 2. Land with standard ready built factory / warehouse

For industrial estate development industry, the process will start from the industrial land development, invest in fundamental structures in the industrial land and then sell land to industrial entrepreneurs to build factory and warehouse. The manufacturers / investors may have a choice to rent the factory and warehouse instead so as to decrease such investment and also risk from any uncertainties which may occur. Also the investors will have convenience from full

range services from the industrial estate developer. In addition, the industrial estate development, the standard ready-built factory and warehouse also attract foreign entrepreneurs who want to set up their manufacturing bases in Thailand without to invest in ownership in factories and warehouses.

Supply of standard ready-built factory and warehouse can be classified into 2 main types : supply from developers who also own industrial lands , thus the developer of factory and warehouse is the same person as the owner of industrial estate , and supply from developers who build factory and warehouse on the industrial land , either purchased or rent from other developers. For example, the company that builds factory and warehouse for rent on the land purchased from the industrial estate developer in various locations etc. The demands of the standard ready-built factory and warehouse for rent come from the manufacturers who do not want to own the factory and warehouse in order to decrease the project's investment and for the flexibility in the operation. Moreover, Thailand is still a great choice for foreign investors because of its location, which located in the central part of Asia, skill workers, good infrastructure including the rules and regulations which support the investment from abroad. Therefore, the demand for the factory and warehouse for rent is still increase.

Competition in the standard ready-built factory/warehouse remains moderate since there aren't many operators and the business requires high investment similar to the business of industrial estate. In addition, most investors and businesses who wish to rent factory or warehouse usually have in mind their desirable location proven complementary to their operation. The Company's direct competitors in this business are industrial estates in the same area who provide standard ready-built factories and warehouses for rent. Besides, with the TFD Industrial Estate Project's strategic location that gives a lot of competitive advantage to the Group, TISCOM's competitiveness is high, allowing it to be a price maker among others in the same business located in the same area.

### 3. Residential Condominium

A research conducted by Colliers International (Thailand) Co Ltd anticipated a negative growth by 10% in the overall condominium market in Bangkok Metropolitan area in 2016 where only 30,000 new units would be introduced into the market, down from 35,000 units from the previous year. The fall was due to continued economic slowdown and the fact that purchasing power of Thai people was far from recovery. Household debts remained high despite some improvements. In addition, there remained lingering concerns over the country's economic condition like what had happened earlier, all of which hampered desires of Thai people to buy a property as they would be in debt for a long run. In addition, loan approval was not easy since banks continued to be strict when approving credits.

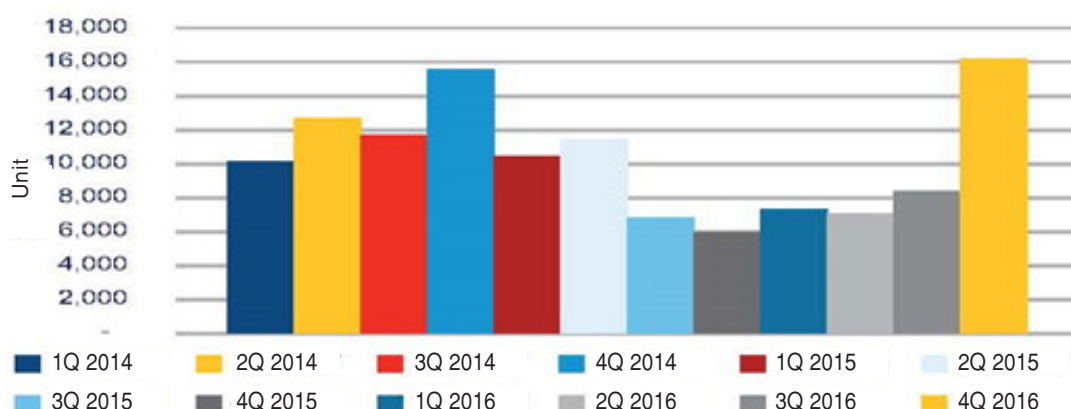
Q4/2016 continued to witness several negative factors ranging from the world's unstable economic condition to security matters in various countries especially within the world's major powers. Coupled with the passing of HM the King Bhumibol Adulyadej last October, property developers preferred to postpone the launch of their projects originally planned in Q4/2016 to 2017 instead.

During the first three quarters of 2016, the condominium market in Bangkok hardly expanded compared to the past few years. A total of 22,864 units were on sale during the first three quarters of 2016. In Q3/2016 alone, as many as 8,144 units were launched, which was the highest number during the past 12 months thanks largely to a better economic outlook and clearer directions of public sector investment.

Regarding sales of condominiums, an average of 75% of newly launched condominium units in 2013-2016 were sold. However, condominium units, which cost less than Baht 100,000 per square meter, despite commanding a big market share, were sold for the least at an average of 55% of all existing units since their target group of customers was the ones who were rejected most by financial institutions. Coupled with excessive supply in the marketplace, project owners

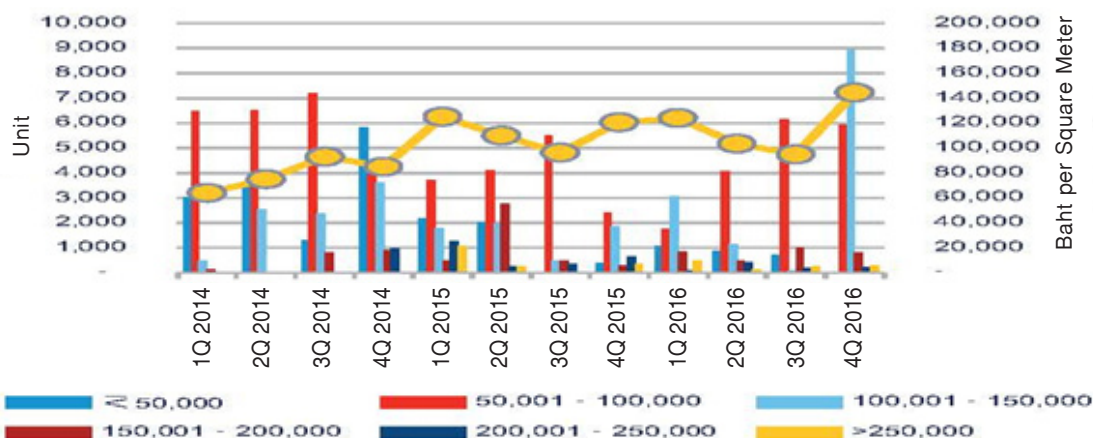
resorted to dumping their prices or conducting marketing campaigns to stimulate sales. Meanwhile, condominiums costing around Baht 100,000-200,000 per square meter were sold like hot cake at the rate of 81-82% of all units available in the market.

Chart comparing newly launched condominium projects during 2014-2016



Source: Research Department, Colliers International Thailand

An average sales price of newly launched condominiums in Q3/2016 was less than Baht 100,000 per square meter, a whopping 68% increase from the previous quarter. This was because several luxurious projects were launched in Q4/2015 with a price tag of more than Baht 200,000 per square meter as interest among high-end customers remained higher than that of their lower-end peers affected by chronic household debts and falling purchasing power.



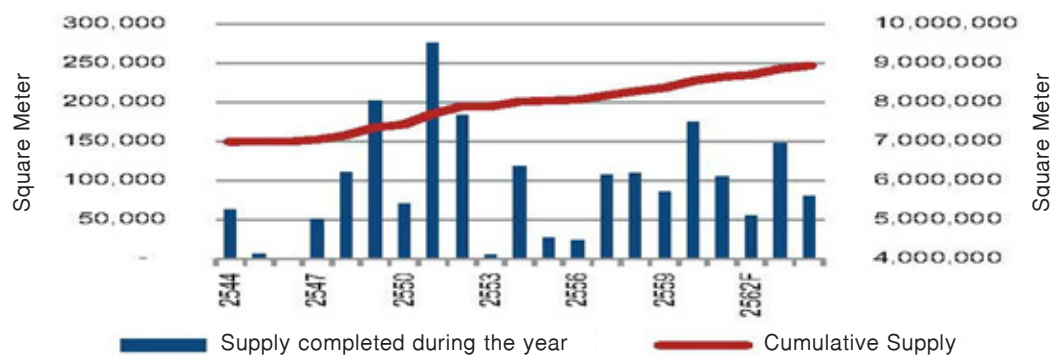
Source: Research Department, Colliers International Thailand

The firm was facing high competitions in the condominium market since demands remained stable or expanded at a much lower level. Yet, small and large developers were still keen on investing in condominium projects even though in some areas, supply was quite excessive. Our direct competitors included other condominium projects within the proximity of our project. Yet, with the management's years of experience in this business, TFD was able to select and procure a site ideal for the development of condominium. Together with appropriate and competitive pricing since ours are existing projects acquired to complete the development that enabled us to operate at cheaper costs compared to our competitors', TFD was able to effectively compete with other contenders in the condominium business.

## 4. Office Building

According to Collier International (Thailand), as of Q3/2016, there was hardly any new office space supply coming into the market. Most new office buildings are under construction out of the city's business district. Total office space in 2015 stood at 8.33 million square meters, while around 60,420 square meters were scheduled to complete in Q4/2016.

Comparative diagram of the supply of office buildings accumulated during 2001 - 2016.

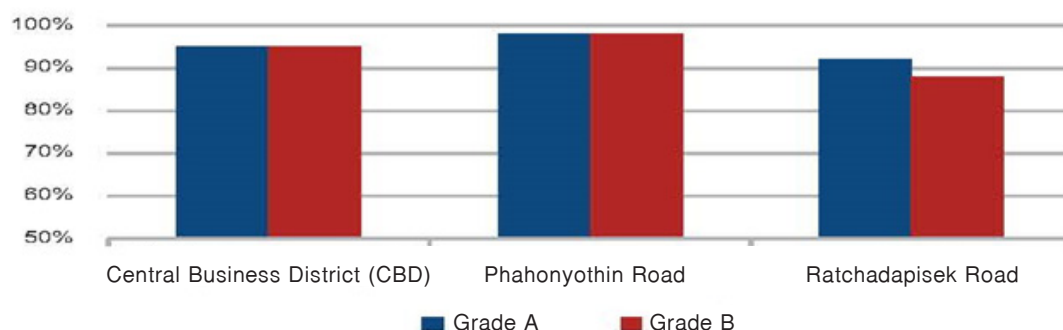


Source: Research Department, Colliers International Thailand

Remark : F = Estimated office space to be completed between 2017-2021

An average rental rate of office building space in Bangkok stood at 90% and it usually increases in Grade A office buildings located in close proximity to mass transit systems. Those located further away receive lesser attention. Grade A office buildings along Phahonyothin Road saw their rental rates increased the highest to stand at 98% while rental rates of Grade B offices in the central business district (CBD) stood at 95%. The average rental rate of office building space soared the highest last year after the past several years thanks largely to demands for office space from Thai and foreign companies especially in the CBD and along Ratchadapisek Road.

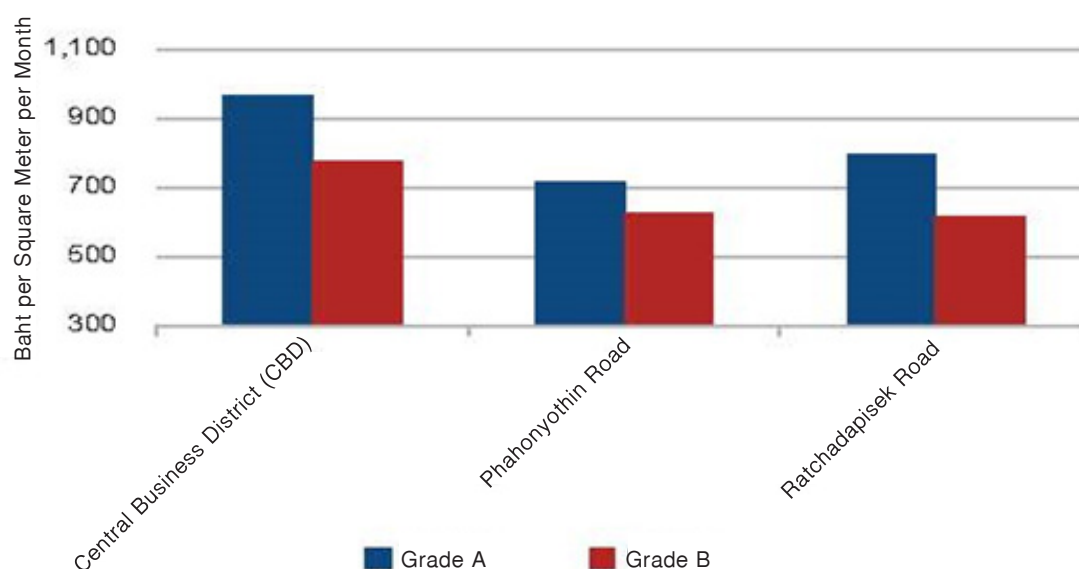
Diagram: Rental rates of office building space classified by locations as at Q4/2016



Source: Research Department, Colliers International Thailand

An average rent of office space in the CBD was the highest 56% or higher than the average market rate thanks to their strategic locations together with the fact that demands for Grade A office space significantly rose during the past several quarters. Most Grade A office space commanded the very high rental rate or almost to their 100% full rental capacity which sent a chain reaction to their rents which continued to climb up every quarter. Certain Grade A office space in the CBD commanded a rent of more than Baht 950 per square meter per month. Some Grade-A office building increased their rent by more than 5% after the occupation rate was about to be saturated. Other office buildings along Ratchadapisek Road adjusted their rents by 5-10% after witnessing robust demands in the area. In addition, certain new office buildings saw their occupation rates nearly reach 100% or up to 100% even before their construction would complete.

Diagram: Average rent classified by locations as at Q4/2016



Source: Research Department, Colliers International Thailand

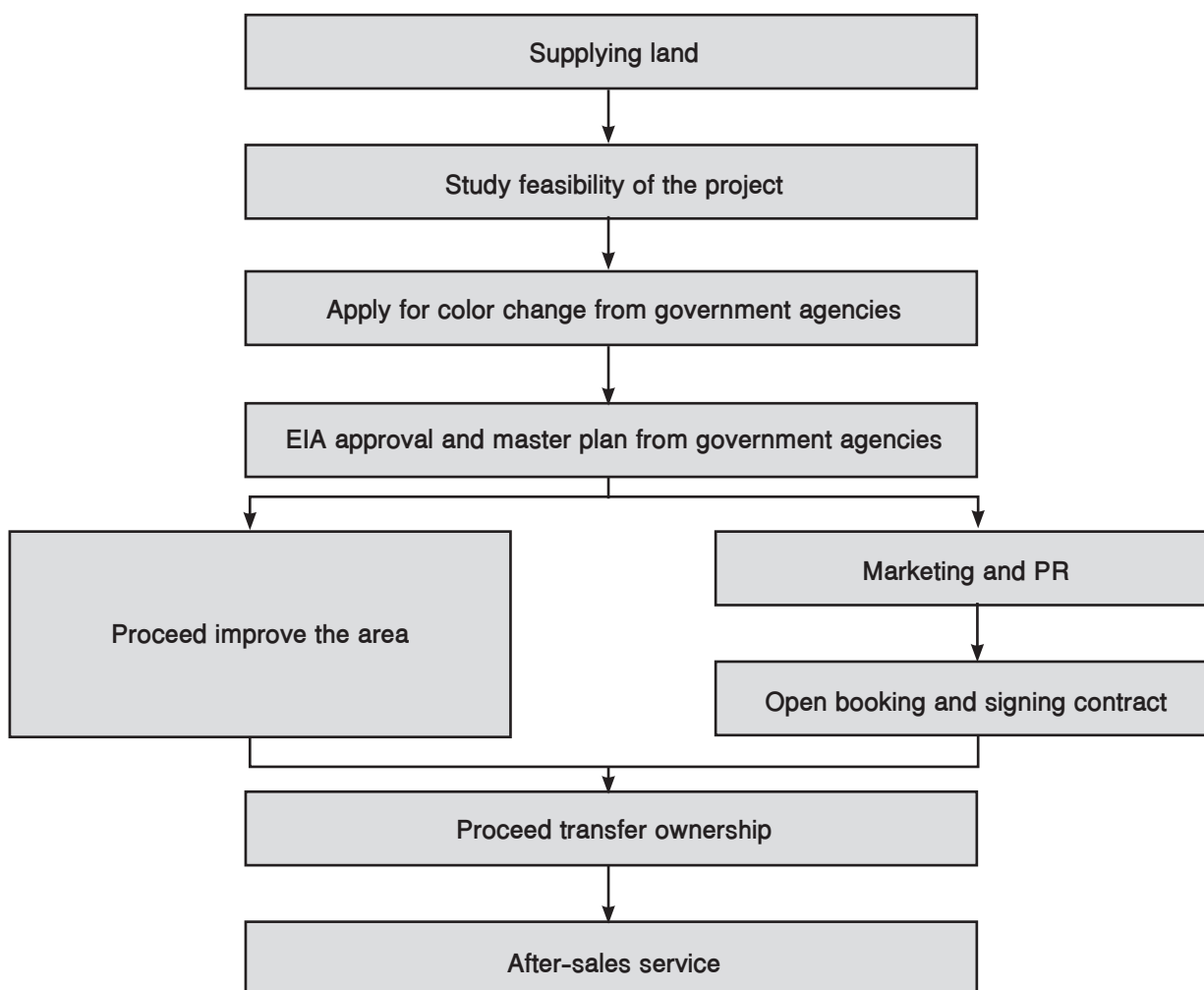
The competitive condition of the office building for rent under the operation by SG deemed to be low because of continuous growth in demand while the supply was limited especially in the CBD. In addition, the target customers of SG are the foreign customers who are introduced by the existing customers. The direct competitor in this business is other office buildings for rent in the same location of SG. However, with the strategic and competitive advantage point of SG from its location, SG still have the potential to compete with other companies in the same industry.



## Product or Service procurement

### 1. Industrial estate

The Company has spent 3-5 years duration to develop land for the project TFD Industrial Estate phase 1. Such time does not include the time in process of asking for permission from related authorities which is the key factor to the time duration. Another factor is season as it is very hard to develop in the rainy season. The main materials and services in developing land to set up Industrial estate comprises of land, contractor, project designer or planner and construction materials such as cement and steel etc. The contractor that the Group Company has assigned to do the construction part for the project will also responsible to procure such materials.



The main materials and services in developing land to set up Industrial estate comprises of land, contractor, project designer or planner and construction materials such as cement and steel etc. The contractor that the Group Company has assigned to do the construction part for the project will also responsible to procure such materials.

### 2. Standard ready-built factory / warehouse

The Company has spent 6-7 months duration to build the standard ready built factory and warehouse which also exclude the time spent on permission from related authorities. The duration of time for building depend on the time spent on permission from related authorities and also the season as it is hard to build in the rainy season, same factors as the case to develop the industrial estate.

The main materials and services in building the standard ready built factory and warehouse consists of land, contractor, project designer or planner and construction materials, the same ingredients as used to develop land for the industrial estate. The contractor that the Group Company has assigned to do the construction part for the project will also responsible to procure such construction materials.

### **3. Residential Condominium**

The Company have spent 2.5-3 years duration to develop and build the Condominium, not taking in to account the time in process of asking for permission from related authorities. The time used in building each condominium project will depend mainly on the size of the project.

Main materials in building Condominium project are land, contractor, Project designer and construction materials such as Precast concrete, glass and aluminum etc. The contractor that the Group Company has assigned to do the construction will also responsible to procure such construction materials.

### **4. Office building**

The Company also operate the office building for rent, by co-operate with the partnership ,Schubert Holdings Plc., Ltd , to take over SG Company which owns 2 office buildings. After such investment, the Company also acts as the project management company.

### Unfinished Work

At 31 December 2016, the inventory of the Company are as shown in the table.

Project	type	Project's details											
		Rai-ngan-wa	% of progress	Total unit		Number of units sold		Number of units unsold		Number of units already transfer the ownership		Number of units awaiting for transfer	
				units	Value (MB)	units	Value (MB)	units	Value (MB)	units	Value (MB)	units	Value (MB)
The Harbour View Residences	Condominium 224 storey	1-3-31	12.51	472	1,620	-	-	-	-	-	-	-	-

**Remark :** As of March 30, 2016, TFD signed an agreement to sell the entire project to Blue Ocean Real Estate Co Ltd for Baht 1.620 billion. At present, TFD receives both down payments and installments from customers totaling Baht 164 million. The project is scheduled for delivery to customers within 2017. The remaining Baht 1.456 billion will be paid by mid 2018. Details of scheduled payments of the remaining sums are as follows:

- Baht 82 million to be paid within March 31, 2017
- Baht 697 million to be paid within March 31, 2018
- Baht 677 million to be paid within June 30, 2018

## Policy on the Conflict of Interest and Connected Transaction with Subsidiaries

### 1. Policy on the conflict of interest

The policy of the Company involves the conflict of interest is based on the principle that any decision-making of the personnel at all levels of the business must perform for the optimized interest of the Company only. The said decision shall be made free of personal influence, family tie or close associates, who may affect the decision-making to decide which the optimized interest of the Company is. Especially for all personnel to work full time for the Company in full capability, and should not have interest in other business outside the Company to take the time off or dedication to the duty on responsibility for the Company, and may cause damage to it.

The conflict of interest may happen in case the personnel of all levels have the personal interest or family members or close associates on finance or other sides in the business, which may receive interest from the decision-making of that person in performance of duty to the Company or realize its activity or operation or future plan.

The Company deems to be the duty of personnel of all levels to avoid having involvement in finance and/or relation with the outsiders, who may result in the Company to lose interest or cause conflict on loyalty or interest or obstruction of effective performance.

The Company has the policy to safeguard its justified interests, while to have the scope of freedom in various activities of the personnel of all levels to the minimum.

### 2. Examples of the situations on the conflict of interest

The personnel of all levels should take the following examples as guidelines for their interest and consider it as an importance thing for working Disclose and consult in step to help unravel problems or lead into the appropriate solutions. They should ask for advice when they are in situation of doubt or confuse.

#### 2.1 General investment

The general rule of this matter is the personnel of all levels, family members or close associates must not hold the shares or receive interest from the competitor companies or any enterprises, including the customers, trade partners/sellers that the Company has contact.

The purchase of shares of the listed companies in the SET or investment via the mutual fund or investment units are not conflict of interest, as long as it does not affect the performance with the Company.

#### 2.2 Supply of goods and services to the Company

The conflict of interest may happen if the personnel at the level of family or close associates supply goods or service to the Company as a trade partner/seller. If that person can lead or influence to the said operations, although no duty involved the business operations of the Company with that business.

In the event that the personnel of all levels of the Company have a family member or close associate as an employee, owner, customer, trade partner/seller or competitor, and s/he participates in the decision-making involve with the business related with that enterprise, shall be regarded as conflict of interest.

Likewise, if the customer, trade partner/seller or employee of a competitor has a family member as employee of the Company, then it is not appropriate to authorize that person the power to influence on a decision-making in the company's activity involve with the family member.

The Company shall not buy or lease property, equipment, raw material or use service from an employee of the Company, family member or close associate, and not sign a contract for that matter (except the employment contract) except in a special case and approved in writing from the Managing Director.

### 2.3 Entertainment and gifts

The personnel of all levels should not receive entertained things, gifts, passenger tickets, sports tickets and other tickets for recreation or entertainment or offers that are personal matters involving their duty, if such action can lead to binding the Company or cause them to be put in the situation of conflict of interest.

### 2.4 Accepting academic job as a host or public service or any positions

The management or employee can participate in the outside activities with good reasons. In several cases the Company encourages its personnel to participate in the external activities as it deems those activities may expand the perspective and experience to its personnel, which can help to improve the job of these people to the Company even more. The personnel who accept the jobs in professional institutions as lecturers, public service or offices such as a director, consultant, etc, they must ask for approval from the Managing Director before acceptance of the job or title. The employee that received approval should be realized that s/he would not bring the Company or his/her title to bind the outside activity, except by approval to do so.

In the event that the management or employee is appointed the secretary of the board of directors of the Company or agent in the management of a project/director in an affiliate or subsidiary shall not be regarded as a conflict of interest.

## 3. Definitions

“Family” means the person with relation to the personnel of all levels from the bloodline or legal marriage, including legally adopted persons.

“Close member” means the person with involvement with the personnel of all levels in any relations closely.

## Connected Transactions

### 1. Connected person with possible conflict of interest and nature of the relationship

Connected person with possible conflict of interest	Nature of Relationship
JC Kevin Development Co Ltd, (JC Kevin), (formerly named VCAL Business Group Co Ltd), a developer of condominiums for sale, office buildings for rent and hotels	Mrs. Chalida Taechaubol (Mr. Apichai's wife) holds 100% of JC Kevin's shares.  Mr. Apichai Taechaubol and Mr. Chotiwit Taechaubol (Mr. Apichai's son) are JC Kevin's direct ors.
JC Kevin Food & Beverage Co Ltd operates a hotel, restaurant, bar and nightclub business (JC Food).	JC Kevin holds 100% shares of JC Food.  Mr. Apichai Taechaubol, Mr. Chotiwit Taechaubol and Mr. Kritawat Taechaubol (Mr. Apichai's son) are JC Food's directors.
Mr. Apichai Techaubol	Executive Chairman and Major Shareholder
Mrs. Chalida Taechaubol	Mr. Apichai Taechaubol's wife

## 2. Connected transactions between the Company and subsidiaries vs. connected person with possible conflict of interest

In 2014, 2015 and 2016, the Company and subsidiaries conducted the following transactions with connected persons having possible conflict of interest but without such conflict.

### Transactions relating to the general operation

Connected person with possible conflict of interest	Company	Nature of Transaction	Value (Million Baht)			Necessity and rationality
			2014	2015	2016	
JC Food	TFD	<u>Entertainment fees:</u> TFD used JC Kevin's hotels and restaurants to entertain guests and meeting rooms to hold the Board of Directors' meeting and the Shareholders' meeting. <u>Account payable</u>	0.86	2.80	5.38	JC Kevin offered a 10% discount from normal rates given to general customers. <u>The Audit Committee's opinion:</u> The transaction was found reasonable and it was convenient to TFD as both the restaurant and meeting rooms were close to TFD's office while TFD also enjoyed a special discount.
JC Kevin	TFD	<u>Office rent:</u> TFD signed an agreement to rent a total of 2,497 square meters of office space on the 2 <sup>nd</sup> , 4 <sup>th</sup> to 6 <sup>th</sup> Floor of JC Kevin's building for use as TFD's headquarters. The rent and the service fees totaled Baht 1,123,650 a month (Baht 450 per square meter). The three-year rent will end on December 31, 2016. The agreement then renewed, and the rental fee is charged at Baht 1,279,175 per month (Baht 475 per square meter). Lease term is 3 years which ended December 31, 2019. <u>Advance down payment</u> <u>Account payable</u>	10.47	22.90	24.49	The company has considered leasing office space from JC Kevin, because it is a new building with enough space to meet the demand. And office rental rates are comparable to nearby office buildings. <u>The Audit Committee's opinion:</u> Regarding The Meeting of the Audit Committee No. 2/2013 held on March 14, 2013 and 7/2016 held on November 10, 2016, The entering into such connected transaction is reasonable. Because not only the building of JC Kevin is a new building, but the office space is also meet with TFD's demand. Besides TFD also gets rental rates that can be comparable to office buildings in the immediate vicinity.
JC Kevin	TISCOM	<u>Office rent:</u> TISCOM signed an agreement to rent a total of 196 square meters of office space on the 3rd floor of JC Kevin's building for use as its headquarters, of which the rent and the service fees totaled Baht 88,200 a month (Baht 450 per square meter). The three-year rent will end on December 31, 2016. <u>Advance down payment</u>	0.83	0.83	0.99	
			6.98	6.98	6.98	
			-	0.15	0.31	
			0.53	0.53	0.04	

Connected person with possible conflict of interest	Company	Nature of Transaction	Value (Million Baht)			Necessity and rationality
			2014	2015	2016	
JC Kevin	CROWN	<p>Other receivables: On December 25, 2013, Crown signed an agreement to sell and buy 138 rai of land totaling Baht 800 million with JC Kevin under the following terms of payment:</p> <ol style="list-style-type: none"> <li>1<sup>st</sup> installment of Baht 300 million to be paid on the agreement date.</li> <li>2<sup>nd</sup> installment of Baht 20 million and Baht 180 million to be paid on January 30, 2014 and March 31, 2014, respectively.</li> <li>The remaining Baht 300 million to be paid within June 30, 2014, which was the ownership transfer date.</li> </ol> <p>As of January 30, 2014, Crown paid a total of Baht 320 million to JC Kevin. On December 30, 2015, JC Kevin made a partial payment of Baht 140 million to Crown. On January 22, 2016, partial payment of Baht 15 million was made. On February 12, 2019, partial payment of Baht 25 million was made. On April 20, 2016, partially paid for Baht 52 million, and August 24, 2019, partially paid Baht 30 million, and on December 28, 2016, the remaining 58 million baht was fully paid.</p> <p><u>Accrued interest</u></p>	320.00	180.00	-	<p><b>1) Purchase of the Khao Yai Land</b></p> <p>CROWN signed an agreement to sell and buy 138 rai of land totaling Baht 800 million with JC Kevin to develop a real estate project for sale. The TFD Board of Directors felt that the transaction was normal with general business conditions. It would also benefit TFD since the project would allow Crown to continue developing a residential project after its 15 Sukhumvit Residences Project had been completed. Prior to the purchase, TFD had hired a land appraisal firm to acquire required information for making such a decision. Subsequently, Asia Plus Co Ltd, TFD's financial advisor who oversaw the filing of documents for the offering of TFD's securities to the Securities and Exchange Commission (SEC), viewed that the transaction, was normal, without business condition in general of which the value exceeded 3% of the net tangible assets which, according to relevant notifications, required TFD to seek approval from its Board of Directors, disclose the information to the Stock Exchange of Thailand (SET) and seek approval from the Shareholders' Meeting. TFD meanwhile felt that the transaction, if realized, would need an opinion from an independent financial advisor in order to seek approval from the Shareholders Meeting which could have delayed the land purchase and affected its capital mobilizing plan. It's Board of Directors' Meeting No. 3/2557 on March 3, 2014, as a result, resolved to allow Crown to terminate the land purchase and ask JC Kevin to return the down payment to Crown. Yet, the SEC suggested TFD to seek an opinion from the Shareholders' Meeting for the purpose of transparency and compliance with corporate governance, notifications of the SEC and the SET. TFD submitted the transaction to its Board of Directors No. 14/2557 held on July 30, 2014 to review its approval decision. This time, TFD re-adjusted its project development plan to reflect the ongoing economic and political uncertainty. Two independent land appraisors were hired to assess the land price, which resulted in two appraisal prices of Baht 808.20 million and Baht 777.71 million, respectively. The management then persuaded JC Kevin to reduce its sales price to suit the newly-appraised prices and together with the fact that Crown had an opportunity cost for not being able to seek other benefits from the down payment placed with JC Kevin. The following two scenarios were foreseen based on conditions of the new agreement:</p>
			0.15	0.07	-	



Connected person with possible conflict of interest	Company	Nature of Transaction	Value (Million Baht)			Necessity and rationality
			2014	2015	2016	
						<p>1. <i>If shareholders resolved to approve the land purchase</i></p> <p>In this scenario, JC Kevin would reduce the land price to Baht 755 million. When deducted with Baht 320 million worth of down payment already paid, the remaining amount to be paid within 90 days from the approval date of the Shareholders' Meeting would be Baht 435 million.</p> <p>2. <i>Shareholders resolved not to approve the land purchase</i></p> <p>In this scenario, JC Kevin agreed to return Baht 320 down payment and a 5.5% interest per annum to Crown from the day JC Kevin received the down payment from Crown to the day Crown would be duly repaid the down payment within 90 days from the day the Shareholders' Meeting resolved not to approve the land purchase. TFD Board of Directors meanwhile approved Crown to buy the land from JC Kevin and to seek approval from TFD Shareholders' Meeting.</p> <p>2) <i>Terminating the land purchase agreement</i></p> <p>On September 30, 2014, the Extraordinary Shareholders' Meeting No. 2/2557 resolved to not approve Crown to buy the land. This means JC Kevin had to return Baht 320 million down payment plus an interest of 5.5% per annum to Crown within 90 days from the date of such resolution (due on December 29, 2014).</p> <p>3) <i>1<sup>st</sup> repayment extension of the down payment</i></p> <p>On December 29, 2014, JC Kevin paid an accrued interest totaling Baht 17.68 million to Crown. It also negotiated to extend the repayment period of this down payment of which details of terms and conditions were as follows.</p> <p>1. The repayment period of Baht 320 million down payment would be extended for another year from its due payment date on December 29, 2014.</p> <p>2. A 7.0% interest per annum rate would be paid on a monthly basis from December 29, 2014 to the day JC Kevin completely repays both the principal and the interest to Crown.</p>

Connected person with possible conflict of interest	Company	Nature of Transaction	Value (Million Baht)			Necessity and rationality
			2014	2015	2016	
						<p>3. 30 units of condominiums in Building C of the "Sathorn Heritage Residences" project located on Narathiwat Rajanagarinda Road, Kwaeng Yannawa, Sathorn District, Bangkok, for a total saleable area of 3,288.49 square meters would be mortgaged as a payment guarantee. JC Kevin would solely responsible for mortgage fees and other expenses. Besides, Mr. Apichai Techaubol, who guaranteed the payment, agreed to remain a guarantor. The transaction was a connected one under the category of financial assistance of which the size exceeded 3% of the net tangible asset, which, based on related notifications, required TFD to seek approval from its Board of Directors' Meeting, disclose information to the SET and also seek approval from the Shareholders' Meeting. TFD Board of Directors' Meeting No. 2/2558 held on February 23, 2015 resolved to approve Crown to extend the repayment period of the down payment and to seek an approval from the Shareholders' Meeting to be convened on April 27, 2015.</p> <p><b>4) 2<sup>nd</sup> repayment extension of the down payment</b></p> <p>Subsequently, on December 29, 2015 and February 15, 2016, JC Kevin issued a letter asking to delay its payment of Baht 320 million principle together with the interest thereon to Crown from the original deadline of December 29, 2015 to December 29, 2016. JC Kevin also asked that Baht 2.8 million penalty from late payment be exempted where JC Kevin would compensate this delay by paying an interest rate during this extended period which would be raised to 7.25% per annum while other conditions shall remain the same as in the original contract. On December 30, 2015, JC Kevin made a partial payment of Baht 140 million to Crown, leaving Baht 180 million remained unpaid.</p> <p>The transaction was a connected one under the category of financial assistance of which the size exceeded 3% of the net tangible asset, which, according to related notifications, required TFD to seek approval from its Board of Directors' Meeting, disclose information to the SET and also seek approval from the Shareholders' Meeting. TFD Board of Directors' Meeting No. 2/2559 held on February 29, 2016 resolved to approve Crown to extend the repayment period of the down payment and to seek an approval from the Shareholders' Meeting to be convened on April 29, 2016. JC Kevin paid the remaining amount back on December 28, 2016.</p>

Connected person with possible conflict of interest	Company	Nature of Transaction	Value (Million Baht)			Necessity and rationality
			2014	2015	2016	
						<p>The Audit Committee's opinion:</p> <p><b>1) The purchase of the Khao Yai land</b></p> <p>The Audit Committee's Meeting No. 10/2557 held on July 30, 2014 viewed that purchasing the land from JC Kevin would be another way to generate new incomes and profits to both Crown and TFD. The new land price was also lower than what had been appraised by independent appraisers. In addition, contractual conditions were corresponding with the land purchase criteria in general. The Audit Committee felt appropriate to propose the matter to TFD Board of Directors' Meeting for consideration and for seeking approval from its Shareholders' Meeting.</p> <p><b>2) Termination of the land purchase agreement</b></p> <p>On September 30, 2014, the Extraordinary Shareholders' Meeting No. 2/2557 resolved not to approve Crown to buy the land.</p> <p><b>3) 1<sup>st</sup> repayment extension of the down payment</b></p> <p>The Audit Committee's Meeting No. 2/2558 held on February 20, 2015 viewed that JC Kevin offered 7.0% interest rate per annum to Crown in exchange for the repayment extension, which was higher than TFD's average financial cost. Besides, JC Kevin had already paid the accrued interest in 2014 to Crown. It had also agreed to mortgage its asset to guarantee such payment, of which the value appraised by an independent appraiser was higher than the outstanding debt. Moreover, Mr. Apichai Techubol personally guaranteed the repayment. The Audit Committee felt appropriate to seek an approval from the Board of Directors' Meeting and to submit the matter to seek approval from TFD Shareholders' Meeting.</p> <p><b>4) 2<sup>nd</sup> repayment extension of the down payment</b></p> <p>Having reviewed JC Kevin's necessity and intention to repay Crown and JC Kevin's history of interest payment, the Audit Committee's Meeting No. 2/2559 held on February 26, 2016 viewed that JC Kevin's request to relax a payment condition and to be exempted from a penalty was acceptable and fair to the firm based on the following reasons:</p>

Connected person with possible conflict of interest	Company	Nature of Transaction	Value (Million Baht)			Necessity and rationality
			2014	2015	2016	
						<p>1. JC KEVIN had paid a higher interest rate by raising it to 7.25% per annum to compensate for an extended period it had asked to repay the amount. In the past, JC Kevin constantly repaid the interest to Crown on time on the due date each month. Besides, Crown could recognize the interest paid by JC Kevin as its revenue.</p> <p>2. The interest received from JC Kevin was higher than the Company's average financial cost, which was around 6% per annum.</p> <p>3. The value of condominium units currently mortgaged was higher than the outstanding debt. Mr. Apichai Techaubol continued to be the co-guarantor. JC Kevin also delivered a post-dated cheque as an additional guarantee of debt payment to Crown.</p> <p>4. A request for an exemption of Baht 2.8 million penalty incurred from Baht 140 million principal that JC Kevin eventually paid to Crown on December 30, 2015 was acceptable as it was late for only one day, not considering that the late payment was due to force majeure beyond JC Kevin's control.</p> <p>5. Relaxing the term of payment for JC Kevin would benefit both Crown and JC Kevin than pursuing a legal action as the latter would cost a lot of time and expenses. The alternative would also minimize impact to reputation of the Company, its directors and major shareholders.</p> <p>Besides, this financial assistance would not affect TFD's liquidity and financial position. Based on the consolidated financial statements as of December 31, 2015, TFD registered cash and cash equivalents of Baht 304.16 million, which was enough as its working capital. The Audit Committee felt appropriate to seek approval from the Board of Directors' Meeting and to submit the matter to seek approval from TFD Shareholders' Meeting.</p>

Loans between the Company and subsidiaries vs. connected person with possible conflict of interest

- None -

Guarantee of financial institution loans

Connected person with possible conflict of interest	Borrower	Guarantee	Total amount (Million Baht) as of Dec 31, 2015	Outstanding (million Baht)			Nature of Transaction	Necessity and Rationale
				As of Dec 31, 2014	As of Dec 31, 2015	As of Dec 31, 2015		
Mr. Apichai Techaubol	TFD	✓	990.00	150.00	95.00	55	Personal guarantee	This guarantee was corresponding to borrowing conditions of a financial institution of which the project loan was used as a working capital and for buying lands and building projects operated by TFD and its subsidiaries. The transaction would benefit their businesses.  <u>The Audit Committee's opinion:</u> The guarantee was necessary and reasonable. The transaction would benefit performances of both TFD and its subsidiaries.
	TFD	✓	800.00	513.35	312.25	-		
	TFD	✓	140.00		312.06	63.39		
	TISCOM	✓	150.00			131.62		
	TISCOM	✓	380.00			283.86		
	TISCOM	✓	235.00			100.27		
	TISCOM	✓	185.00			111.27		
	CROWN	✓	510.00					

### 3. Approval process or measures of connected transactions

The Board of Directors will approve a connected transaction as follows.

- The Management is to submit a report to the Board of Directors. Information in the report is to be comprehensive and adequate for consideration in order to protect investors while explaining why the transaction is necessary and appropriate.
- Related persons have no right to vote.
- Appraisal by recognized independent appraiser is required.
- Opinion from independent director or member to the Audit Committee is required.
- Legal or regulatory compliance is required.

If a connected transaction meets a guideline given by the Board or if it's a normal business transaction, the transaction will be considered subject to an approval under the authority of the Executive Board and/or the management.

## Risk Factors

### 1. Risks of maintaining the financial ratio of the company

Risk from TFD is to maintain the net Debt to Equity ratio according to criteria stated in the rights of debentures. As of December 31, 2016, it offered the following debentures.

Debentures	Net D/E ratio based on the debentures terms
TFD Plc. debentures No. 1/2558 due in 2017 (TFD redeemed the debentures on February 27, 2017)	Not over 4.0 times as of end of the annual fiscal year.
TFD Plc. debentures No. 2/2558 due in 2017	Not over 4.0 times as of end of the annual fiscal year.
TFD Plc. debentures No. 1/2559 No. 1 due in 2017	Not over 4.5 times as of end of the annual fiscal year.
TFD Plc. debentures No. 1/2559 No. 2 due in 2018	Not over 4.5 times as of end of the annual fiscal year.
TFD secured debentures No. 1/2560 No. 1 due in 2018*	Not over 4.5 times as of end of the annual fiscal year.
TFD secured debentures No. 1/2560 No.2 due in 2019*	Not over 4.5 times as of end of the annual fiscal year.

**Note:** On February 23, 2017, the Company issued new secured debentures totaling Baht 1,297.50 million due for redemption totaling Baht 769 million on February 23, 2017 and totaling Baht 528.50 million due for redemption on February 23, 2018 for repaying debentures No. 1/2558 due for redemption.

As of December 31, 2016, the Company total Net liabilities at Baht 7,519.95 million while shareholders' equity totaled Baht 2,160.58 million. The net debt to equity stood at 2.91 times, which was lower than the terms of debentures above. This was because on December 21, 2016, it had received Baht 694.83 million from the right offering to existing shareholders, resulting in higher shareholders' equity. It also repaid short-term loans using Baht 300 million raised from the capital increase.

However the Company still suffered operation loss and had higher financial costs from the issuance of the B/E and additional debentures. This may prevent the Company from maintaining the net D/E ratio mentioned in the table above, **which could make the Company default according to the terms of debentures and prompt all debentures to be immediately due for redemption.** Being aware of the risk, the Company endeavored to maintain the ratio at a level not exceeding the terms of debentures stated above.

**In addition, it had other measures to maintain liquidity and the net D/E ratio as well as to ensure that its capital structure remained at an appropriate level whereby**

1) On July 26, 2016, it issued TFW-W4 not exceeding 427.83 million units to existing shareholders through the right offering without charge at a rate of three existing shares to one TFD-W4 warrant at an exercise price of Baht 3.50 per share. The term of the warrant is not exceeding two years (from July 26, 2016 to June 29, 2018). The Company expects to receive approximately Baht 1.5 billion from the rights exercise during the two years' period.

2) The Company planned to sell the remaining condominium units of the 15 Sukhumvit Residences Project as soon as possible to repay financial institutions and its debentures by organizing sales campaigns such as old clients introducing new buyers and offer of furniture and all electrical appliances for would-be customers. In addition, the project was advertised through various sales channels such as exhibition booths in department stores, print media and websites such as Facebook and Instagram. As of December 31, 2016, there were 104 units waiting to be sold totaling Baht 1,429 million and another 11 units waiting to have ownership transferred totaling Baht 70 million. The transfer should be completed by Q1/2017. The Company plans to sell the remaining 104 units within 2018.

3) The Company expects to receive Baht 1,456 million from sales of its Harbor View Residences Project in mid 2018 after signing a contract to sell the entire project to Blue Ocean Real Estate Co., Ltd., on March 30, 2016 at a total price of Baht 1.620 billion. As of December 31, 2016, it received Baht 164 million of down payment and installments from customers. The construction of the project will complete by the end of 2017 and the ownership should be transferred by mid 2018. Schedules of the remaining payments are:

- Baht 82 million to be received within March 31, 2017
- Baht 697 million to be received within March 31, 2018
- Baht 677 million to be received within June 30, 2018

4) The Company expects to receive Baht 2,850 million from sales of 300 rai of land in the TFD Industrial Estate 2 Project in 2017 where it will start marketing the project after getting an EIA approval. At present, several customers have expressed interest to buy land from the Company but no contract has been signed as it has not yet received an EIA approval. Sales are anticipated and incomes should be gradually recognized by the latter half of 2017.

5) The Company expects to earn Baht 400 million revenues from sales of factory and warehouses (the Green Park I-III Project) in 2017. On March 9, 2016, TISCOM signed an agreement to sell a ready-built factory at the Green Park III Project totaling Baht 48 million for a sales area of 1,620 square meters. The ownership is being transferred at the moment.

6) On March 6, 2017, the Board approved to seek the 2017 AGM's approval to offer, as the private placement and the right offering, 1,265.46 million shares to existing shareholders to accommodate the rights exercise of TFD-W5 warrants allocated to existing shareholders subscribing to capital-increase ordinary shares as well as for the rights adjustment of TFD-W4. The offering is also to accommodate the plan to increase an issuance of debentures from Baht 5 billion to Baht 8.5 billion for short-term loan payments, working capital, project development and proper financial restructuring.

The factors mentioned above should improve the Company's financial position and performance which will in return enhance the net D/E ratio under the terms of debentures. The risk has no impact whatsoever to the Company.



## 2. Risks of ability to pay principal and interest

The Company calculated and disclosed interest rate coverage ratios in two ways as follows.

1. Calculation from profit (loss) before financial expenses and income tax expenses plus depreciation costs and amortization divided by financial expenses: the ratios were 0.16, 0.01 and 0.30 times for 2016, 2015 and 2014, respectively. In 2016, the ratio increased from end of 2015 after the Company recorded higher profit before financial expenses.

2. Calculation from the manual to prepare Form 56-1 by computing from cash flow from operating activities + interest paid from operation + tax divided by interest paid from operation and investment: the ratios were at -0.42, -3.12 and -1.23 for 2016, 2015 and 2014, respectively. The 2016 ratio was down from 2015 but remained in red after the Company recorded higher cash flow from operating activities while payment of operating interest went down.

The Company pursued a cautious policy to repay interest and principal where it negotiated to increase a loan amount from financial institutions. The request is currently under consideration. In addition, there was a plan to increase capital and expand the amount of debentures issued for debt payment in order to increase liquidity and for project development. As of December 31, 2016, there remained Baht 1,890.35 million long-term loans from financial institutions. Details are as follows.

Unit : Million Baht

Lender	Company	Project	Credit Type of	Amount	Loan withdrawn	Remaining Loan
A financial institution	TFD	Tha Sa-an	Term loan - Long	1,796.00	1,222.95	573.05
A financial institution *	TFD	Hua Hin	Term loan - Long	990.00	150.00	840.00
A financial institution **	TISCOM	Bangsaothon	Term loan - Long	420.00	218.60	201.40
A financial institution	CROWN	The Harbour	Term loan - Long	510.00	233.50	276.50
Total				3,716.00	1,825.05	1,890.95

**Note:** \* As of March 7, 2017, the Company repaid its debt and canceled a loan amount for the Huahin and Bangsaothong projects. No payment was due for the Bangsaothong Project.

\*\* On February 22, 2017, the Company received an additional Baht 175 million loan from a financial institution, which allowed the Bangsaothong Project to have another Baht 26.40 million loan left for use.

In addition, the Company expects to receive cash flow from the issuance and the right offering of TFD-W4 warrants, income recognition from sales of condominiums in the 15 Sukhumvit Residences Project, incomes from down payments of the Harbor View Residences Project, land sales revenues from the TFD Industrial Estate 2 Project and sales revenues of factories and warehouses in the Green Park I-III Project as mentioned in the risk to maintain financial ratios described above. Besides, the Company also expects to get an additional loan amount by Baht 400 million loan it requested from another financial institution. The request is currently reviewed by the institution. There is also a plan to raise fund and expand the issued amount of debentures subject to the AGM's approval.

Yet, the Company is closely monitoring its liquidity to ensure that principal and interest in each period is paid on time as stipulated in the terms. As of March 7, 2017, a total of Baht 190 million B/E was due for payment in March 2017. In April 2017, a total of Baht 537 million B/E and Baht 200 million debentures will be due for redemption and the Company plans to repay the due B/E as follows.

## Details of B/E due for payment in March 2017

Due Date	Value (Million Baht)	Note
March 13, 2017	30	Three B/E valued each at Baht 10 million
March 15, 2017	10	One B/E valued each at Baht 10 million
March 22, 2017	70	Seven B/E valued each at Baht 10 million
March 27, 2017	50	Two B/E valued each at Baht 10 million One B/E valued at Baht 10 million
March 30, 2017	30	Three B/E valued each at Baht 10 million
<b>Total</b>	<b>190</b>	

## Details of B/E due for payment in April 2017

Due Date	Value (Million Baht)	Note
April 3, 2017	10	One B/E valued each at Baht 10 million
April 5, 2017	70	Three B/E valued each at Baht 10 million Two B/E valued each at Baht 20 million
April 10, 2017	145	Ten B/E valued each at Baht 10 million One B/E Valued at Baht 20 million One B/E valued at Baht 25 million
April 11, 2017	10	One B/E valued each at Baht 10 million
April 17, 2017	122	Nine B/E valued each at Baht 10 million One B/E valued at Baht 32 million
April 21, 2017	30	Three B/E valued each at Baht 10 million
April 26, 2017	90	Seven B/E valued each at Baht 10 million One B/E valued at Baht 20 million
April 27, 2017	60	Two B/E valued each at Baht 10 million Two B/E valued each at Baht 20 million
<b>Total</b>	<b>537</b>	

Details of debentures due for redemption in April 2017

April 10, 2017: Baht 200 million

The Company plans to renew B/E in March and April 2017 to repay B/E and debentures due for redemption. If investors opt not to renew the B/E; or if no new B/E can be issued, the Company still has a funding from a reserve amount a financial institution will extend, which is currently under review, by another Baht 400 million for debt payment. Besides, it will recognize incomes from the 15 Sukhumvit Residences Project where customers already signed agreements and are waiting to have ownership transferred of around Baht 180 million. The ownership transfer should finish in March and April 2017. In March 2017, it will receive Baht 82 million from an agreement to sell and buy the Harbor View Residences Project. The remaining Baht 900 million B/E will be repaid by a new set of debentures to be issued and a plan to increase the capital.

If the Company cannot renew the B/E and can neither issue a new B/E based on the above plan; and if the funding source set as a reserve for repayment of the B/E is not available on time to meet a repayment schedule, the Company plans to discuss with debenture dealers to find ways and means to repay the B/E. In addition, the Company has a secondary plan to offer the private placement and/or the right offering and to also increase the debenture amount (medium-term loan) in order to repay its B/E obligation (short-term debt), which will enhance liquidity, properly restructure its capital and reduce risk from repaying principal and interest. Yet, according to Clause 11 of the terms of debentures, any of the following shall be considered default according to (c): "Debentures issuer shall default payment, which is an amount of debt under a debt instrument agreement and an amount of debt resulted from any other financial operation (To avoid doubt, this will not include any derivative transaction whether or not relating to a financial debt amount), for a amount exceeding Baht 400 million or equivalent in other currencies as a result of (1) failure by the issuer to repay such amount within the original repayment schedule or within a period extended by creditors; or (2) a requirement by creditors to pay the amount before the schedule based on the creditor's rights in a relevant agreement. This however shall exclude (1) payment default against trade payables and such default is still not conclusive; or (2) default of any debt amount not affecting payment of either principal or interest of the debentures under the terms of rights." Upon such event, this could lead to the payment default based on the debentures terms of right and all debentures will be subject to immediate redemption."

### 3. Liquidity Risk

As of December 31, 2016, TFD's total liabilities amounted to Baht 7,519.95 million, of which 70.48% was short-term and the remaining 29.52% was long-term. As of December 31, 2016, TFD had short-term liabilities totaling Baht 5,299.88 million due for payment within one year. Of this, Baht 1,839.30 million was bill of exchange (B/E). The remaining Baht 2,242.91 million was debentures due for payment within a year. Meanwhile, the firm was due to pay long-term loans borrowed from financial institutions totaling Baht 655.99 million within a year while long-term loans borrowed from related businesses and outstanding interest due for payment within a year totaled Baht 108.76 million. TFD also had long-term liabilities totaling Baht 2,220.08 million, which were divided into Baht 842.85 million worth of debentures and Baht 1,048.93 million worth of long-term loans from financial institutions.

Since the ratio of TFD's short-term liabilities vs. long-term ones was quite high, this could affect its liquidity if it could not payment short-term B/E due for redemption. However, being aware of the risk, TFD has managed the ratio by partially repaying its short-term liabilities according to its plan to increase liquidity, its plan to increase capital and the amount of its debentures, details of which are elaborated under the topic of the risk to maintain financial ratios. In this regard, the firm plans to issue capital-increasing shares and medium-term debentures to raise fund for repaying its short-term loans in order to restructure its short-term debts into the medium-term one.

## 4. Business and Operational Risks

### 4.1 Legal risk in relation to the property business

Since the laws, rules and regulations governing the property sector are constantly amended, the group may be exposed to a risk resulted from such regulatory change, which includes amendment of the Land Development Act, rules and regulations on zoning, town and country planning laws and designation of additional green-zone rural and agricultural areas and decreasing of the designated purple industrial zones. Legal and regulatory changes as well as changes in approval procedures will affect the group's operation or delay projects currently run by the group.

To manage this risk, the group is monitoring these regulatory changes on a regular basis to adjust its business direction to reflect such changes.

### 4.2 Risk from disputes under the Colonial Khao Tao Huahin Project

VAL Commercial Associate Co Ltd (a company relating to the Milford Group who operates a hotel and a golf course in an area close to the Colonia Khao Tao Huahin Project) filed a complaint against the Paknam Pran Sub-District Administration Organization and TFD, as a co-defendant, to the Central Administrative Court on a charge of violating the law as a construction permit had been issued to a project located fewer than 200 meters from the shoreline, an act that was against the notification of Ministry of Natural Resources and Environment. The firm also requested the court to revoke the construction permit and to temporarily suspend the project's construction until a final judgment was made. The Central Administrative Court ordered the suspension of the project's construction.

TFD subsequently appealed the Central Administrative Court with the Supreme Administrative Court to terminate the Central Administrative Court's order. As of March 27, 2014, the Supreme Administrative Court revoked the Central Administrative Court's order that the project's construction be suspended.

On November 21, 2014, the Central Administrative Court issued a ruling to revoke the construction permit exclusively to the part of a condominium tower that was higher than 12 meters above the ground. TFD already appealed the ruling by submitting its opposition to the Supreme Administrative Court on December 19, 2014.

As of December 31, 2016, TFD already invested Baht 451.98 million in the project. However, if the Central Administrative Court decides against TFD, we can still appeal the ruling or order of the Central Administrative Court to the Supreme Administrative Court. If the Supreme Administrative Court finally decides to bar TFD from building the project based on the existing design, we can change the design to reflect any legal provision where the project could be smaller or we could decide to sell the project to other investors. If TFD eventually loses the case and the court rules or orders that the permit be revoked, we could still file a lawsuit against the Paknam Pran Sub-District Administration Organization for compensations and loss of business opportunity.

However, the management exercised its discretion by assessing the case TFD was sued and possible damage from the construction suspension and was confident that no damage would incur to the project's value. That's why TFD did not book a provision for the fall of the project's value or estimated liabilities from this litigation as of end of the reporting period. The project meanwhile was appraised by Asset Asia Corporation Co Ltd on December 22, 2016 to be around Baht 484 million, which was higher than the present value of TFD's investment in the project. As of February 23, 2017, TFD used the land and construction of the project as part of its collateral to guarantee its debentures No. 1/2560.

#### **4.3 Risk from additional lands to be accumulated for the development of TFD Industrial Estate 2**

As of December 31, 2016, TFD expanded its investment by buying approximately 1,977 rai of vacant lands in an area adjacent to the TFD Industrial Estate 1 to be developed as the TFD Industrial Estate 2. In the new project, TFD plans to expand the area by around 2,000 rai and is currently doing the landscape, designing public utilities and preparing an EIA report to seek permission from the authorities. We expect to receive the EIA permit by Q2/2017. As a result, TFD is exposed to a risk of its inability to buy additional lands for the development of the new industrial estate at an anticipated amount or within a desirable location; or it may be exposed to a risk of seeing costlier land prices. The result is that TFD may not be able to accumulate enough land at a desirable location to develop the TFD Industrial Estate 2 as planned; or it may result in higher operating costs which could affect the group's financial status and operation results.

Yet, the company plans to manage the risk by signing an agreement with real estate agents who will negotiate the prices within conditions set by us and who will proceed to close the deal for us eventually. The agents consist of those outside Chachoengsao Province and those residing within the province, which makes the operation to scour the land more flexible.

#### **4.4 Risk from shortage of contractors**

Construction contractors are extremely necessary for the real estate development business. TFD and its subsidiaries therefore are exposed to a possible risk from the shortage of construction contractors, which may send a ripple to the group's construction work and project development as it could delay the projects from their plans and will affect the group's financial status and operation results.

However, TFD and subsidiaries plan to manage this risk by seeking contractors through a bidding process. After reviewing selected contractors, TFD and subsidiaries will monitor their operations and assess them through the quality of their work. Contractors who are assessed by TFD and subsidiaries will have their names listed in our Approved Supplier List for consideration to build the group's future projects.

#### **4.5 Economic and political risks**

The business of TFD and subsidiaries may be affected by economic and political volatility and other macroeconomic factors especially in relation to the industrial estate business, the ready-made factory and warehouse business and the office for rent business. This is because main customers of these businesses are foreign investors who may curb their investment or relocate their operation away from Thailand, which will lower demands in the businesses mentioned above. The risk may inevitably affect the group's financial status and operation results.

Yet, the group manages this risk by diversifying its portfolio into other businesses including real estate development for industrial, residential and office for rent purposes. Besides, the group offers options for entrepreneurs to decide either to buy or rent land, factory and warehouse to minimize their investment risk. This not only responds to the needs of our customers but also reduces the volatility of fluctuating demands faced by our group as a result of economic, political and other macroeconomic variables.

#### 4.6 Risk from renewal of lease agreements

TFD's business to construct standard factory or warehouse for clients to rent in several industrial estates or industrial zones is exposed to a risk of finding new customers or the fact that existing customers may not renew their lease agreements in the case of existing customers who have signed an average three-year rental term, which could affect future incomes of the group. However, based on past performances, rent of TFD's standard factories and warehouses remained stable or sometimes TFD could not even build enough factories and warehouses to meet demands of customers. Besides, most customers renewed the lease agreement, which means the period during which warehouses and factories remained vacant was very few. The risk therefore is quite low and the firm remains quite competitive.

The office for rent business's risk is when tenants decide not to renew their lease agreements, most of which last for three years. Therefore, if a lot of tenants refuse to renew the agreements and we could not find new tenants to replace them, it will directly affect our cash flows and operation results. Yet, based on previous performances, the occupation rate of the office building on average was as high as 80% and more. Most customers renewed their contracts since our office buildings were located in a strategic prime area. Besides, rental rates of both buildings remained competitive compared to others. This risk to have any effect to us therefore is quite low

#### 4.7 Risk from renewing lease rights and sub-lease rights in the office building business

SG has invested in the rights to lease land together with SG Tower 1 office building by signing a contract with Office of the Privy Purse. It has also invested in the rights to sub-lease the land together with the Millennia Office Building (SG Tower 2) by signing an agreement with GF Holding Co Ltd to operate the office for rent business. The contract term between SG and Office of the Privy Purse is 30 years and will be due in October 2023 or seven years from now. The term of the sub-lease agreement between SG and GF Holding Co Ltd is 30 years and will be due in November 2025 or around nine years from now. SG therefore has a risk of not able to renew the lease and the sub-lease agreements with Office of the Privy Purse and GF Holding Co Ltd, respectively, which could materially affect financial status and operation results of TFD and its subsidiaries. In 2015, SG earned Baht 182.18 million from rents and service fees and enjoyed a net profit of Baht 18.25 million, or 10.01% of the total revenues. In 2016, SG earned Baht 180.85 million from rents and service fees and recorded a net profit of Baht 21.38 million or 11.82% of the total revenues.

#### 4.8 Risk from requirements to pay compensations based on agreements made between TFD and subsidiaries with the M-II Property Fund

In December 2012 and August 2013, TFD and TISCOM sold lands and factories for rent in the TFD Industrial Estate, Navanakorn Industrial Promotion Zone and Laem Chabang Industrial Estate to the M-II Property Fund. In addition, TISCOM transferred the rights to lease lands in the Laem Chabang Industrial Estate to the M-II Property Fund and agreed to sell lands and rented constructions located in the Kingkaew Project. In the agreements, TFD and TISCOM are obliged to pay compensations or to absorb additional expenses incurred in the future as follows.

A term for TFD and TISCOM in relation to the lease rights of the M-II Property Fund in an agreement to lease the land belonged to Ports Authority of Thailand (PAT) due in December 2018 provides that TFD and TISCOM have agreed to jointly compensate Baht 10 million to the M-II Property Fund if the fund cannot register the renewal of rights to lease PAT's land at least for a period equivalent to the land lease period under the land lease agreement executed with the Industrial Estate Authority of Thailand (IEAT).

A term in relation to TISCOM (if the King Kaew land is expropriated) provides that TFD and TISCOM have jointly agreed to compensate the M-II Property Fund where the amount will be calculated from an area in square meters multiplied by the land plot being rented out which is however affected by land expropriation if the land in the King Kaew Project is entirely or partially expropriated. In addition, TFD and TISCOM have agreed to replace, renovate or repair the property so that it's in the original condition prior to the land expropriation and ready for use if such expropriation prevents the M-II Property Fund or small tenants from using the land; or if any part of the property has to be replaced, renovated or repaired.

A term in relation to TISCOM (if the lease agreement cannot be renewed with the Huabchem Group) due for the first period in February 2036 and where the second stage sub-lease agreement was already renewed by another 30 years to end in February 2066 provides that TFD and TISCOM have agreed to compensate Baht 40 million to the M-II Property Fund if the fund cannot renew the lease agreement with the Huabchem Group (who is the landlord in an agreement to lease and develop land signed with TISCOM) and register such lease for 30 years.

As a result, TFD and TISCOM could be exposed to the risks of having to pay compensations based on the agreements made above with the M-II Property Fund, which could mean additional expenses that TFD and TISCOM are to be liable to in the future.

#### 4.9 Risk from dependence on major customers

A subsidiary has invested in two locations offering warehouse and factory for rent. Each location however is entirely rented by one single customer, which could pose a risk from the tenant's refusal not to renew the contract and could therefore affect incomes of TFD and subsidiaries in the future. However, the tenant has executed a long-term agreement and is likely to renew the contract since it has rented the warehouse and factory for its business for quite some time. Relocating to a new site will cause a lot of expenses in procuring and relocating the tenant's machinery and other properties.

## 5. Financial risk

### 5.1 Risk from interest rates and regulations of Bank of Thailand in relation to the property sector

#### Risk from interest rate changes

#### 1. Impact to client's decision to buy residential unit

Most customers in the residential condominium business will usually seek home loans from financial institutions. As a result, interest rates and loan payment conditions are major factors affecting their decisions. If the loan interest is higher, it will affect the customer's financial costs and may delay their decisions to buy.

TFD plans to manage this risk by learning customer's behaviors and desires and by providing purchasing terms and conditions and down payment methods that will respond to customer's need while relieving their financial burden as much as possible when buying a condominium unit.

#### 2. Impact to the group's financial costs

The group seeks loans from financial institutions to develop current and planned real estate projects. The interest rate increase will also affect the group's financial costs.



Risk from the Bank of Thailand's regulatory changes in relation to the property sector

At present, the Bank of Thailand closely monitors credit approval by commercial banks. The central bank focuses more at the quality of approved credits, which makes commercial banks being more restricted when approving their loans. In addition, criteria for credit approval were adjusted and loan amounts for each collateral were reduced when extending to non-major clients in general. This means clients who seek home loans from financial institutions have to have more down payments in hands, which may affect their purchasing power and their decision to buy. Alternatively, the fact that commercial banks are stricter for credit approval will help screen customers who have real purchasing power for us at a certain level.

**5.2 Liquidity risk and risk to access funding sources**

The property development business is in need of capital for buying land and developing it and for construction and sales activities. While huge investment is required upfront, the company will get most payments of its sales value on the title deed transfer date only, which will take place after construction is completed. The group has a period of project management from 2-5 years depending on the project's nature and size. As a result, the business is exposed to a risk of liquidity management and access to funding resources for use in the business.

Yet, TFD plans to manage this risk by careful review of a project that it will develop. This starts from choosing a right location, conducting the project's feasibility study and hiring project consultant to ensure every project's success. In addition, TFD and subsidiaries are raising funds from diverse channels ranging from the equity market to financial institutions to reduce too much dependency from a particular funding source.

## Management Discussion and Analysis

### 1. Overview of the business operations and significance changes

The Company and its subsidiaries have operated the business of real estate development for sales and rent in many sectors, with the core business is in the Industrial Estate Development. The Company's business currently can be classified in 5 sectors as follows :

- 1) Business of industrial estate development
- 2) Business of land with standard ready-built factory / warehouse
- 3) Business of residential buildings (condominium)
- 4) Business of office building for rent
- 5) Business of asset management services
- 6) Managing Real Estate Investment Trust (REIT)

### 2. Operating Performance and Profitability

#### 2.1 Revenue

##### Total Revenue.

TFD's total revenues come from sales revenues of land and factory buildings, sales revenues of condominiums, rent incomes and service fees, profits from sales of property for investment purpose, dividend incomes and other incomes.

Unit : Million Baht

Total revenues	Year 2014	Year 2015	Year 2016
Sales revenues of land and factory buildings	-	-	18.17
Sales revenues of condominiums	1,151.35	480.50	536.17
Revenues from rent and service	233.60	295.72	322.35
Profits from sales of property for investment purpose	-	-	-
Dividends	16.06	21.22	15.62
Interest incomes	30.97	27.28	8.84
Gain on changes in value of transfer investments	-	-	50.63
Unrealised gain from transfer investments	-	-	15.53
Other revenues	33.15	23.39	18.94
<b>Total revenues</b>	<b>1,465.13</b>	<b>848.12</b>	<b>986.25</b>

Total revenues between 2014-2016 were Baht 1,465.13 million, Baht 848.12 million and Baht 986.25 million, respectively.

In 2015, total revenues were Baht 848.12 million, which fell 42.11% from a year earlier due to decline of condominium sales following the economic slowdown.

In 2016, total revenues were Baht 986.25 million, representing a 16.29% increase totaling Baht 138.13 million from the previous year as TFD earned incomes from sales of its 15 Sukhumvit Residences Project while rent and service fee revenues also increased. The increase of revenues also came from higher values of securities invested for trading purpose.

Revenue from sale of land and factory building

Unit : Million Baht

Revenue from sale of land and factory building (Million Baht)	Year 2014	Year 2015	Year 2016
Revenue from sale of land and factory building	-	-	18.17
<b>Total Revenue</b>	<b>-</b>	<b>-</b>	<b>18.17</b>

Between 2014-2015, TFD earned no income from sales of land and factory as the TFD Industrial Estate 2 Project was still seeking approval from relevant authorities. In December 2015, the land was approved for change of purpose of use to industrial use instead. On November 10, 2016, TFD and Industrial Estate Authority of Thailand (IEAT) signed a joint operation agreement in which TFD was allowed to establish the TFD Industrial Estate 2 Project. For Phase 1 of the TFD Industrial Estate 2 Project that currently commands 841 rai of land, TFD is currently developing the land, adjusting its landscape, building basic infrastructure and preparing an Environmental Impact Assessment (EIA) report already approved by the public hearing held for the first and second time between November 10-11, 2016 and January 25-26, 2017, respectively. On March 10, 2017, TFD submitted the EIA report to the Office of Natural Resources and Environment Planning and Policy (ONEP). Once the report is approved, it will be submitted to the IEAT for permission to do land plots and to issue title deeds for further land sales. This process should complete by Q2/2017. In 2016, TFD enjoyed incomes from sales of 1.98 rai of land with factory in the TFD Industrial Estate 1 Project at a sales value of Baht 18.17 million. At present, there remains 2.76 rai of land in the TFD Industrial Estate 1 Project to be sold. On March 9, 2017, TISCOM signed an agreement with a factory in the Bangsaothong Project to sell a land totaling Baht 48 million of which the ownership should be transferred by Q2/2017. Sales of the project should start and its income should be recognized by the second half of 2017

Revenue from sale of Condominium units

Unit : Million Baht

Revenue from sale of Condominium units (Million Baht)	Year 2014	Year 2015	Year 2016
The 15 Sukhumvit Residence Project	1,151.35	480.50	536.17
<b>Total</b>	<b>1,151.35</b>	<b>480.50</b>	<b>536.17</b>

TFD builds condominium projects in the central business district and seaside areas for sales to customers. It currently develops four condominium projects; namely, the 15 Sukhumvit Residences Project, the Colonial Khao Tao Project, the Mahadlek Residence Project and the Harbor View Residences Project.

During 2014-2016, TFD earned incomes from a condominium project, namely, the 15 Sukhumvit Residences Project, totaling Baht 1,151.35 million, Baht 480.50 million and Baht 536.17 million, respectively.

Sales of condominium in 2015 fell 58.27% as fewer condominium units in the Sukhumvit 15 Residences Project had their ownership transferred due mainly to the economic slowdown.

In 2016, TFD recorded Baht 536.19 million revenues from sales of condominium units, representing an 11.59% increase or Baht 55.67 million. This was mainly due to the Company's intention to close the project by selling all remaining units of the 15 Sukhumvit Residences Project. Various sales campaigns such as old clients introducing new buyers and offer of furniture and all electrical appliances for customers buying the units were introduced. In addition, the sales were conducted through various channels such as exhibition booths in department stores, print media and websites such as Facebook and Instagram.

For the Company to enjoy continued flow of revenues from sales of condominiums, in early 2015, it bought land and structure of the Harbor View Residences Condominium on Na Ranong Road, Bangkok, to develop into a residential condominium project for sales. On March 16, 2016, the Board approved to sell the entire project once the construction was completed to Blue Ocean Real Estate Co Ltd at a total price of Baht 1.620 million. The construction, which progressed around 17.34% is expected to complete by late 2017 and all sales revenues should be recognized by Mid 2018

The Mahadlek Residences Project's EIA report was approved by the Office of Natural Resources and Environment Policy and Planning (ONEP) on June 10, 2014 and the project received a construction permit on June 1, 2016. At present, the project is temporarily suspended as the Central Administrative Court issued an order to temporarily suspend its construction permit. The Company has already submitted a motion to the court to revoke a court order and expects to receive an approval within 2017. The construction of the Colonial Khao Tao Huahin Project meanwhile is temporarily suspended since the project is currently under the lawsuit. (Details are in Section 1, Topic 3: Risk Factors).

#### Revenue from Rental and Services

Rental and service fee incomes are generated from the Land and Factory for Rent Department, which buys or rents lands in the long run for development purpose and which builds factories and infrastructure for rental of lands with ready-built factories. In addition, the Office for Rent Department rents long-term lands for the purpose of developing office buildings for rental and services

Unit : Million Baht

Revenue from Rental and Services (Million Baht)	Year 2014	Year 2015	Year 2016
Rental Revenue from factory	14.90	15.57	22.09
Rental Revenue from warehouse	29.80	100.98	120.26
Rental Revenue from office building	188.90	179.17	179.99
<b>Total Revenue from Rental and Services</b>	<b>233.60</b>	<b>295.72</b>	<b>322.34</b>

TFD recorded rent and service fee revenues of Baht 233.60 million, Baht 295.72 million and Baht 322.34 million in 2014, 2015 and 2016, respectively. In 2014, TISCOM set up Barnsley in the UK to invest in land and warehouse for rent which enabled TISCOM to generate rental revenues from warehouse in the UK. In January 2015, TISCOM expanded its warehouse rental business in the UK where it established Bognor, a subsidiary, to invest in the second land and warehouse for rent, which enabled the firm to enjoy a 26.59% increase of rental and service fees in that year.

In 2016, TFD earned total revenues of Baht 322.34 million, which was up 9% or Baht 26.62 million compared to the same period a year ago since TISCOM was able to lease more warehouse space completed in early 2016.

#### Other revenue

Other revenue is all other incomes from non-core business of the Company which includes dividend, interest, management fee and other miscellaneous income

Unit : Million Baht

Other revenues (Million Baht)	Year 2014	Year 2015	Year 2016
Dividends	16.06	21.22	15.62
Management Fee	10.10	13.99	17.03
Gain on changes in value of transfer investments	-	-	50.63
Unrealised gain from transfer investments	-	-	15.53
Interest earned	30.97	27.28	8.84
Other miscellaneous incomes	23.05	9.40	1.91
<b>Total Other revenues</b>	<b>80.18</b>	<b>71.89</b>	<b>109.56</b>

During 2014-2016, TFD's other revenues totaled Baht 80.18 million, Baht 71.89 million and Baht 109.56 million, respectively. In 2015, other revenues increased from the previous year thanks to increasing dividends from its investment in the M-II Fund as well as higher property management fees the property fund enjoyed from increasing revenues resulting from increasing space being rented

In 2016, the Company's total revenues were Baht 109.56 million, up 52.40% or Baht 37.67 million compared to the same period a year ago thanks largely to increasing values of securities invested for trading purpose and higher property management fee enjoyed by the property fund.

## 2.2 Cost and Expense

### Total Cost

TFD's total expenses consist of costs of sales of land and factory buildings, costs of sales of condominium units, costs of rental and services, sales expenses, administrative expenses, loss on changes in value of trading securities and losses from exchange rates as follows.

Unit : Million Baht

Total Cost (Million Baht)	Year 2014	Year 2015	Year 2016
Cost of land and factory building	-	-	8.36
Cost of condominium unit	878.14	376.49	395.76
Cost of rental and services	152.14	169.16	181.14
Selling Expenses	65.26	34.72	53.55
Administrative Expenses	252.25	264.43	230.35
Loss on changes in value of trading securities	-	-	54.27
Losses from exchange rates	26.24	-	-
<b>Total Cost / Expenses</b>	<b>1,374.03</b>	<b>844.80</b>	<b>923.43</b>

Total expenses were Baht 1,374.03 million, Baht 844.80 million and Baht 923.43 million in 2014, 2015 and 2016, respectively. This was mainly to declining sales of the Sukumvit 15 Residences Project, resulting in lower costs of sales and sales expenditures.

In 2016, total expenditures were Baht 923.43 million, up 9.31% totaling Baht 78.63 million compared to the same period a year ago. This was mainly to increasing costs of sales and sales expenditures of the Sukhumvit 15 Residences Project, which were up in alignment with more sales being achieved as a result of more marketing campaigns and sales activities organized to stimulate sales. Other factors included the increase of leasing costs and services as more space was leased out as well as loss in investment in the M-II Fund by Baht 54.27 million.

### Cost of land and factory building

Unit : Million Baht

	Year 2014		Year 2015		Year 2016	
	Million Baht	% of revenues	Million Baht	% of revenues	Million Baht	% of revenues
<b>Sales costs of land and factory buildings</b>						
Sales cost of vacant land	-	n/a	-	n/a	8.36	46.01%
Sales cost of land with factory	-	n/a	-	n/a	-	n/a
<b>Total</b>	<b>-</b>	<b>n/a</b>	<b>-</b>	<b>n/a</b>	<b>8.36</b>	<b>46.01%</b>

During 2014-2016, TFD's did not sell land and factory buildings. There is no cost in this area, while in 2016, the Company sold 1 plots of land in the TFD 1 Industrial Estate.

Cost of Condominium unit

Unit : Million Baht

Sales costs of condominium	Year 2014		Year 2015		Year 2016	
	Million Baht	% of revenues	Million Baht	% of revenues	Million Baht	% of revenues
The 15 Sukhumvit Residences Project	878.14	76.27%	376.49	78.35%	395.76	73.81%
<b>Total</b>	<b>878.14</b>	<b>76.27%</b>	<b>376.49</b>	<b>78.98%</b>	395.76	<b>74.07%</b>

Costs of condominium sales totaled Baht 32.20 million, Baht 878.14 million and Baht 376.49 million in 2013, 2014 and 2015, respectively, all of which were a result of sales of the 15 Sukhumvit Residences Project. The project had an average cost ratio of around 74-79% of its condominium sales revenues. The result its costs was different each year was due to an average sales price per square meter of the project which was varied based on different floors or locations of condominium units being sold each year while an average cost per square meter was more or less the same.

Cost of rental and services

Unit : Million Baht

Costs of rent and service	Year 2014		Year 20145		Year 2016	
	Million Baht	% of revenues	Million Baht	% of revenues	Million Baht	% of revenues
Rental cost of factories	11.63	74.70%	12.39	79.58%	23.66	107.11%
Rental cost of warehouses	9.91	9.81%	31.86	31.55%	34.05	28.31%
Rental cost of office buildings	130.60	72.89%	124.90	69.71%	123.43	68.58%
<b>Total</b>	<b>152.14</b>	<b>65.13%</b>	<b>169.15</b>	<b>57.20%</b>	181.14	<b>56.20%</b>

Costs of rental and services totaled Baht 152.14 million, Baht 169.15 million and Baht 181.14 million in 2014, 2015 and 2016, respectively. The higher costs of rental and services in 2016 were a result of higher rental costs of factories and warehouses adjusted to reflect higher rental incomes. The ratio of costs of sales to revenues from rent and service fees in 2014 was around 65.13% of rent and service fee revenues, which were largely due to higher costs to rent factories and warehouses in the UK. In other words, revenues from warehouses in the UK had higher costs than those from warehouses in Thailand. Other reasons included higher rental costs of office building space due mainly to higher renovation costs. In 2015, such cost ratio however fell to 57.20% of the revenues thanks to a higher gross profit margin generated from incomes derived from new warehouses in the UK purchased in 2015 compared to the first project invested a year earlier.

In 2016, TFD's costs of rent and service fees totaled Baht 181.14 million, up 7.09% or Baht 11.99 million from the same period a year ago. The increase corresponded to higher sales revenues. When the cost structure was taken into consideration, one could see minor changes when compared to 2015.



### Selling and Administrative Expenses

Selling expenses of the Company consists of the advertising and promotion, salary, sale management and commission etc. While the administrative expenses which consists of salary, director's remuneration, traveling expenses and allowances.

Unit : Million Baht

Sales and administrative expenses	Year 2014		Year 2015		Year 2016	
	Million Baht	% of revenues	Million Baht	% of revenues	Million Baht	% of total revenues
Sales expenses	65.26	4.45%	34.72	4.09%	53.55	5.43%
Administrative expenses	233.58	15.94%	223.97	26.41%	230.35	23.36%
<b>Total</b>	<b>298.84</b>	<b>20.40%</b>	<b>258.69</b>	<b>30.50%</b>	<b>283.90</b>	<b>28.79%</b>

During 2014-2016, sales expenditures totaled Baht 65.26 million, Baht 34.72 million and Baht 53.55 million, respectively. This represented 4.45%, 4.09% and 5.43% of the total revenues, respectively. Expenses from sales promotion fell from 2014, which was in line with lower revenues.

In 2016, sales expenditures totaled Baht 53.55 million, representing a 54.23% increase totaling Baht 18.83 million from the same period a year ago. The increase was aligned with increasing sales revenues. When the ratio of sales expenditures vs. total sales revenues in 2016 was taken into consideration, the 4.09% increase from 2015 represented 5.43% of the sales revenues. This was because in 2016, TFD wished to close the project and therefore expedited sales of the project by organizing marketing and sales promotion campaigns to stimulate sales, a move that resulted in higher sales expenditures.

During 2014-2016, administrative expenses totaled Baht 233.58 million, Baht 223.97 million and Baht 230.35 million, which represented 15.94%, 26.41% and 23.36% of total sales revenues, respectively. The 2015 administrative expenses fell Baht 9.61 million from the previous year since TFD had been able to lease more space from the M-II Property Fund, resulting in fewer compensations for rent and service fees it had to pay the M-II Fund.

In 2016, administrative expenses totaled Baht 230.35 million, representing an increase of 2.85% or Baht 6.38 million compared to a year before as a result of an annual salary increase for executives and employees.

### Financial expenses

During 2014-2016, TFD's financial costs totaled Baht 305.06 million, Baht 346.07 million and Baht 391.68 million, respectively. In 2015, financial expenses edged up 13.44% since TFD issued new debentures totaling Baht 1.4 billion and borrowed another Baht 627.62 million from financial institutions.

In 2016, financial expenses increased 13.18% or Baht 45.61 million to Baht 391.98 million compared to a year ago. This was due to TFD's constant attempt to regularly issue debentures and bill of exchange (B/E) to raise funds for project development of its own and of its subsidiaries and for use as cash flow.

## 2.3 Profitability

### Gross margin

During 2014–2016, TFD’s gross profit margin was 25.61%, 29.70% and 33.24%, respectively, since during the same period, it had no income from sales of land and factory while such sales usually commanded a high gross profit margin, resulting in an overall decline of the margin in 2014 and 2015. In 2016, the gross profit margin went up thanks to increasing land sales revenues of the TFD Industrial Estate 1 Project. TFD’s gross profit margins in three major groups of business are as follows.

Unit : Million Baht

Gross Profit Margin ( % )	Year 2014	Year 2012	Year 2016
Sale of land and factory building	n/a	n/a	53.99%
Sale of condominium units	23.73%	21.65%	26.19%
Sale from rental and services	34.87%	42.80%	43.81%
<b>Total Gross Margin</b>	<b>25.61%</b>	<b>29.70%</b>	<b>33.24%</b>

Based on this table, during 2014–2015, the company recorded no gross profit margin because it had no income from sales of land and factory since the EIA report of the TFD Industrial Estate 2 Project were reviewed at the time by relevant authorities. The public hearing was held for the first and second time between November 10–11, 2016 and January 25–26, 2017, respectively. On March 10, 2017, TFD submitted the EIA report to the Office of Natural Resources and Environment Planning and Policy (ONEP). Once the report is approved, it will be submitted to the IEAT for permission to do land plots and to issue title deeds for further land sales. The process should complete by Q2/2017. Sales should start and incomes should be recognized by the latter half of 2017.

In 2016, TFD sold one plot of vacant land in the TFD Industrial Estate 1 Project after one customer expressed his wish to buy an additional land to expand production. On March 9, 2017, the Company signed a land sales agreement with a factory in the Bangsaothong Project totaling Baht 48 million of which the ownership will likely be transferred by Q2/2017.

During 2014–2016, its gross profit margin of the condominium business stood at 23.73%, 21.65% and 26.19%, respectively. The condominium business’s gross profit margin was usually around 21–27%. The reason the gross profit margin each year varied is because of different average sales prices per square meter according to locations and floor numbers of units sold each year while an average cost per square meter was more or less the same.

During 2014–2016, gross profit margin for the rental and service business totaled 34.87%, 42.80% and 43.81%, respectively. In 2015, the gross profit margin for the rent and service business increased from the previous year due to a higher profit margin of incomes from the second warehouse for rent business invested in 2015 in the UK. In 2016, the gross profit margin also increased 43.81% due to higher rent of warehouse and factory leased in 2016 compared to the average rent in 2015.

#### Operation profit

Operation profit in 2013, 2014 and 2015 was 0.79%, -8.83% and -5.33%, respectively. This was mainly because the Company did not sell any land and factory. Besides, it recorded higher sales and administrative expenses.

#### Net profit

During 2014-2016, net profit margin totaled -10.77%, -35.48% and -32.28%, respectively. The decline was due to higher financial obligations due to project expansion of the Company itself and its subsidiaries in the industrial estate business, the warehouse and factory for rent business and the condominium business where some projects were seeking approval while construction of others was not yet completed. This prevented the Company from enjoying incomes. For example, the TFD Industrial Estate 2 Project was submitting an EIA report, which should be approved, receive the permit and be able to sell and have its incomes recognized in Q3/2017. The Harbor View Residences Project is currently under construction and development. The construction will complete within 2017 and the total sales amount will be recognized in mid 2018. With the two projects meeting their schedules, the Company expects its performance to improve.

#### Earnings per share (EPS)

The EPS was -8.79%, -14.26% and -14.36%, in 2014, 2015 and 2016, respectively, due to higher sales and administrative expenses and higher financial costs, which resulted in higher operating loss.

### 3. Ability in assets management

#### Assets

TFD's main assets include development costs of property projects, lease rights and property for investment. Total assets were Baht 7,382.84 million, Baht 9,654.70 million and Baht 9,680.55 million in 2014, 2015 and 2016, respectively. In 2015, total assets jumped 30.77% to Baht 2,271.86 million as a result of TFD's attempt to secure funds through borrowing to expand its investments in various projects. Costs of property development and investment properties increased from a year earlier to Baht 1,258.22 million and Baht 856.76 million, respectively. In 2016, total assets slightly changed by Baht 25.85 million from end of 2015.

Between 2014-2016, returns from asset (ROA) totaled -2.09%, -3.53% and -2.42%, respectively. The declining ROA was due to operation loss since the Company had expanded its investments quite a lot while some projects were still seeking approval especially in the case of the TFD Industrial Estate 2 Project, which should be approved and have its sales started and revenues recognized by Q3/2017. In addition, the Harbor View Residences Project, currently under construction, will complete within 2017, allowing the entire amount to be recognized by mid 2018.

#### Cash and cash equivalents

During 2014-2016, cash and cash equivalents totaled Baht 157.88 million, Baht 304.16 million and Baht 265.42 million, respectively. In 2015, cash and cash equivalents increased 92.65% to Baht 146.28 million after the Company was able to secure loans for investment and operation purposes. As of December 31, 2016, cash and cash equivalents fell Baht 38.74 million from end of 2015 after TFD had spent cash received from its operation, loans and the capital increase to pay down payments for land purchase, interest expenses and short-term debentures due for redemption.

#### Trade receivables and other receivables

During 2014–2016, trade and other receivables totaled Baht 30.51 million, Baht 21.62 million and Baht 52.42 million, respectively. Trade receivables went down 29.14% or Baht 8.89 million in 2015. In 2016, trade and other receivables increased 142.46% or Baht 30.80 million due to revenue changes of TFD and its subsidiaries.

#### Costs of property development

During 2014–2016, costs of property development stood at Baht 5,202.86 million, Baht 6,461.08 million and Baht 6,619.45 million, respectively. In 2015, costs of property development rose by 24.18% or Baht 1,258.22 million. The increase was mainly due to additional investment in lands for the development of the TFD Industrial Estate 2 Project. In addition, Crown bought land and the Harbor View Residences Project while TISCOM also increased its investment in land and warehouse and factory development. In 2016, costs of property development rose by Baht 158.37 million from end of 2015 due to additional investments in the Harbor View Residences Project, TISCOM's construction of warehouse and factory and additional purchase of land for the TFD Industrial Estate 2 Project.

#### Investment in available-for-sales securities

During 2014–2015, investment in securities available for sales stood at Baht 225 million and Baht 208.12 million, respectively. Investment in securities available for sale that fell during 2014 and 2015 was due to declining market value of the investment. In addition, in 2015, the fund invested by the Company had its capital partially reduced and the share capital was refunded to the Company as a unit holder. In 2016, the Company did not invest in securities available for sale since it had transferred this investment to securities for trading purpose.

#### Leasehold rights

Leasehold rights comprise the rights to leasehold lands and factory buildings. The leasehold rights in 2014, 2015 and 2016 totaled Baht 535.95 million, Baht 1,392.71 million and Baht 1,342.48 million, respectively, was a reflected the amortization of leasehold rights during the year.

#### Properties for investment purpose

Properties for investment purpose mainly consist of office buildings for rent and factories and warehouses for rent. In 2014, 2015 and 2016, properties for investment totaled Baht 535.95 million, Baht 1,392.71 million and Baht 1,342.48 million, respectively. The increase of Baht 856.76 million in 2015, reflected TISCOM's investment in the first warehouse for rent via Bognor (a subsidiary). In 2016, properties for investment fell Baht 50.24 million from end of 2015 due mainly to an adjustment of exchange rate loss of investment property overseas.

#### Analysis of quality of Trade receivables

Trade receivables of the Company comprise of trade receivable from the office building rental, from factory and warehouse rental and from the asset management business. The Company has its policy to give credit for 30 days. In determining an allowance for doubtful debts, Company's management will need to make judgment and estimates the loss which may incur from each debtor based upon past collection history, the aging profile of the outstanding debts including the prevailing economic condition. In 2015, outstanding of trade receivables by more than 12 months increased from Baht 5.31 million as of end of 2014 to Baht 9.27 million, most of which were overdue of office rent of SG Land Building for which an allowance for doubtful debt had already been made. In 2016, there was no material change from end of 2015 in terms of overdue of trade receivables.

## 4. Liquidity and sufficiency of funds

### 4.1 Source of Funds

Unit : Million Baht

Source of funds (Million Baht)	Year 2014	Year 2015	Year 2016
Total liabilities	5,213.81	7,752.57	7,519.95
Total equity	2,169.03	1,902.13	2,160.60
Debt to equity ratio	2.40	4.08	3.48

#### Liabilities

Major liabilities are short-term loans from financial institutions, debentures and long-term loans from financial institutions. Total liabilities in 2014, 2015 and 2016 were Baht 5,213.81 million, Baht 7,752.57 million and Baht 7,519.95 million, respectively. Total liabilities increased to Baht 2,538.76 million after the Company had issued B/E and debentures to raise working capital for its operation, to buy additional lands and to develop projects of itself and the subsidiaries. In 2016, total liabilities fell Baht 232.62 million from the same period a year ago after the Company repaid additional short-term loans using money raised from the capital increase.

#### Short-term loans from financial institutions

During 2014-2016, short-term loans from financial institutions totaled Baht 1,532.09 million, Baht 2,191.50 million and Baht 1,977.45 million, respectively. In 2015, short-term loans from financial institutions increased Baht 659.41 million from a year earlier after the Company issued a B/E for use as a working capital while paying the B/E due for redemption as well as interest expenses. In 2016, short-term loans from financial institutions went down Baht 214.05 million after TFD issued capital-increase shares to existing shareholders as the right offering to raise fund for repayment of short-term loans borrowed from financial institutions.

#### Trade payables and other payables

Trade payables consist of trade payables, construction payables and land payables. Other payables refer to advance payments from customers, performance bonds, accrued expenses and others. Trade payables and other payables in 2014, 2015 and 2016 totaled Baht 331.77 million, Baht 256.62 million and Baht 287.08 million, respectively. In 2015, trade and other payables fell Baht 75.15 million from 2014, most of which were due to fewer advance payments received from customers of the Sukhumvit 15 Residences condominium Project after fewer ownerships had been transferred to customers during the year. In 2016, trade and other payables increased Baht 30.46 million from end of 2015 mainly due to increase of payables from the construction of the Harbor View Project and the Green Park 2 and 3 Projects.

#### Debenture

As of December 31, 2016, TFD had debentures not yet due for redemption totaling Baht 3.1 billion. Details of the remaining debentures are as follows.

On February 27, 2015, TFD issued and offered unsubordinated and unsecured debentures No. 4 totaling 1.2 million units at Baht 1,000 per unit for a total of Baht 1.2 billion due on February 27, 2017 with a coupon rate of 6% per annum to be paid every three months.

On March 19, 2015, TFD issued and offered unsubordinated and unsecured debentures No. 5 totaling 200,000 units at Baht 1,000 per unit totaling Baht 200 million due on April 10, 2017 with a coupon rate of 6% per annum to be paid every three months.

On July 11, 2016, TFD issued two series of unsubordinated and unsecured debentures No. 1/2559 as follows.

- Debentures Series 1 totaling 850,000 units at Baht 1,000 per unit amounting to Baht 850 million due for redemption on October 7, 2017 with interest payment scheduled every three months at 5.85% per annum.
- Debentures Series 2 totaling 850,000 units at Baht 1,000 per unit amounting to Baht 850 million due for redemption on May 7, 2018 with interest payment scheduled every three months at 6% per annum.

On February 23, 2017, TFD issued two series of unsubordinated and secured debentures No. 1/2560 as follows:

- Debentures Series 1 totaling 769,000 units at Baht 1,000 per unit amounting to Baht 769 million due for redemption on February 23, 2018 with interest payment scheduled every three months at 6% per annum; and
- Debentures Series 2 totaling 528,500 units at Baht 1,000 per unit amounting to Baht 528.50 million due for redemption on February 23, 2019 with interest payment scheduled every three months at 6% per annum.

Money raised from these two debentures of 2017 was used to repay debentures No. 1/2558 totaling Baht 1.2 billion.

#### Long-term loans from financial institutions

During 2014-2016, long-term loans from financial institutions totaled Baht 733.33 million, Baht 893.59 million and Baht 1,048.93 million, respectively. In 2015, long-term loans from financial institutions went up Baht 160.26 million from end of 2014 after TISCOM had borrowed money for investing in the second warehouse business in the UK via Bognor (a subsidiary). In 2016, long-term loans from financial institutions increased Baht 155.35 million due to additional borrowing for investing in the Harbor View Residences Project.

#### Shareholders' equity

Between 2014-2016, shareholders' equity totaled Baht 2,169.03 million, Baht 1,902.13 million and Baht 2,160.60 million, respectively. In 2015, shareholders' equity went down Baht 266.90 million due to loss suffered in 2015. In 2016, shareholders' equity rose by Baht 258.47 million after the Company allocated and offered capital-increase shares to shareholders as the General Mandate, resulting in higher shareholders' equity.

#### Debt to Equity ratio (D/E ratio)

Between 2014-2016, the Debt to Equity ratio stood at 2.40, 4.08 and 3.48 times, respectively. The increase of the D/E ratio in 2015 was due mainly to the issuance of B/E and debentures for operation and investment expansion purposes. In 2016, the ratio went down since in December 2016, it had received Baht 694.83 million from the right offering of capital-increase shares to existing shareholders, which resulted in higher shareholders' equity and lower D/E ratio. Partial fund raised from the capital-increase was used to repay the Company's short-term loans to significantly reduce its D/E ratio.

## 4.2 Investment Cost

TFD and subsidiaries spend money mainly for expansion purpose. Projects currently operated by the group are the TFD Industrial Estate 2 Project, the warehouse and factory for rent project, the Tha Sa-An and Bangsaothong warehouse project and two warehouse and factory for rent projects in the UK (through investments in Bransley and Bognor. Others include the 15 Sukhumvit Residences Project, the Harbor View Residences Project (through investment in Crown), the Colonial Khao Tao Huahin Project, the Mahadlek Residences Project, investment in the office building for rent (through investment in SG) and investment in the M-II Property Fund. Main funding sources for these projects are mostly loans from financial institutions, debentures and funds raised from the capital-increase and working capital.

The Group's investment plan in the year 2016 are as follows :

Unit : Million Baht

Investment plan	Purpose	Investment value (Million Baht)	Year when investment fund will be paid	Funding sources	Impact to liquidity
TFD Industrial Estate 2	Land development for sale/rent	2,890	2560-2562	Loan+investment fund	No
The Harbour View Residences Project	Residential condominium for sale	661	2560	Loan+investment fund	No

## 4.3 Liquidity adequacy

Unit : Million Baht

Cash flow (Million Baht)	Year 2014	Year 2015	Year 2016
Cash flow from operation activities	770.82	1,811.92	696.47
Cash flow from investment activities	483.15	712.04	280.19
Cash flow from financing activities	145.36	2,652.84	384.01
Increase difference from adjustment of statement of cash flow	2.18	17.40	6.47
<b>Total</b>	<b>1,110.79</b>	<b>146.28</b>	<b>38.74</b>

#### Cash flow from operation activities

During 2014-2016, cash flow used in operating activities totaled Baht -770.82 million, Baht -1,811.92 million and Baht -696.47 million. Cash flow used in operating activities in 2014 consisted of Baht 277.29 million of cash increasingly invested in the project development and Baht 313.06 million payment for interest expenses. Cash flow used in operating activities in 2015 consisted mainly of Baht 1,153.27 million additional investment in the projects such as Crown's investment in the Harbor View Residences Project, TISCOM's purchase of land and construction of warehouse and factory at Bangsaothong and Tha Sa-an, plus another Baht 436.29 million interest paid in 2015 and land purchase for the TFD Industrial Estate 2 Project. In 2016, the Company invested Baht 231.98 million to buy additional lands in the TFD Industrial Estate 2 Project, to build factories and warehouses at Bangsaothong and to additionally invest in the Harbor View Residences Project. This also included another Baht 475.97 million paid for interest expenses during the period.

#### Cash flow from investment activities

During 2014-2015, cash flow used in investment activities totaled Baht -483.15 million and Baht -712.04 million, respectively. In 2016, however, the Company recorded Baht 280.18 million cash flow from investing activities. Cash flow used in investment activities in 2014 was mainly a result of TISCOM's investment in its first land and warehouse project in the UK through Barnsley totaling Baht 341.79 million and another Baht 79.62 million spent to additionally invest in securities for trading purpose. In 2015, cash flow used in investment activities was mainly a result of TISCOM's investment to buy the second land and warehouse project in the UK through Bognor totaling Baht 891.51 million while another Baht 140 million was received from JC Kevin Development Co Ltd (a connected company), which repaid its debt. In 2016, cash flow received from repayment made by JC Kevin Development Co Ltd totaled Baht 122 million. (As of December 28, 2016, the Company was entirely repaid by JC Kevin Development.) In addition, there was another Baht 249.25 million received from sales of investment in the M-II Property Fund.

#### Cash flow from financing activities

During 2014-2016, cash flow from financing activities totaled Baht 145.36 million, Baht 2,652.84 million and Baht 384.01 million, respectively. Cash flow from financing activities in 2014 was mainly a result of an issuance of Baht 1,686.13 million worth of debentures, Baht 1,007.32 million received from the issuance of capital-increase shares as the private placement and another Baht 211.21 million of long-term loan from financial institutions. The Company meanwhile already paid Baht 1,026.79 million of short-term loans and another Baht 1,350 million of debentures due for redemption. In 2015, cash flow from financing activities was a result of a net increase of Baht 623.63 million loan borrowed from financial institutions for investment in the UK project; Baht 670 million short-term loans from the issuance of B/E as working capital and an issuance of Baht 1,386.39 million debentures for project development. In 2016, cash flow from financing activities totaled Baht 384.01 million as a result of the issuance of capital-increase shares as the right offering totaling Baht 694.83 million to existing shareholders

As of end of 2014-2016, the current ratio stood at 2.45, 1.39 and 1.43 times, respectively. The current ratio in 2015 fell to 1.39 times from 2014 as a result of increasing current liabilities in 2015 resulted from short-term loans and debentures due for redemption within one year. In 2016, the current ratio was better after current assets relating to costs of property development increased while overall current liabilities fell after funds raised from the capital increase were used to repay the B/E.



#### 4.4 Covenants and major commitments

TFD is to maintain the net Debt to Equity ratio according to criteria stated in the rights of debentures. As of December 31, 2016, it offered the following debentures.

Debentures	Net D/E ratio based on the debentures terms
TFD Plc. debentures No. 1/2558 due in 2017 (TFD redeemed the debentures on February 27, 2017)	Not over 4.0 times as of end of the annual fiscal year.
TFD Plc. debentures No. 2/2558 due in 2017	Not over 4.0 times as of end of the annual fiscal year.
TFD Plc. debentures No. 2/2559 due in 2017	Not over 4.5 times as of end of the annual fiscal year.
TFD Plc. debentures No. 1/2559 No. 1 due in 2018	Not over 4.5 times as of end of the annual fiscal year.
TFD Plc. debentures No. 1/2559 No. 2 due in 2018*	Not over 4.5 times as of end of the annual fiscal year.
TFD secured debentures No. 1/2559 No.2 due in 2019*	Not over 4.5 times as of end of the annual fiscal year

Note : On February 23, 2017, the Company issued new secured debentures totaling Baht 1,297.50 million due for redemption totaling Baht 769 million on February 23, 2017 and totaling Baht 528.50 million due for redemption on February 23, 2018 for repaying debentures No. 1/2558 due for redemption.

As of December 31, 2016, net total liabilities stood at Baht 7,519.95 million while shareholders' equity totaled Baht 2,160.58 million. The net debt to equity stood at 2.91 times, which was lower than the terms of debentures above. This was because on December 21, 2016, it had received Baht 694.83 million from the right offering to existing shareholders, resulting in higher shareholders' equity. It also repaid short-term loans using Baht 300 million raised from the capital increase.

However, the Company still suffered operation loss and had higher financial costs from the issuance of the B/E and additional debentures. This may prevent the Company from maintaining the net D/E ratio mentioned in the table above, **which could make the Company default according to the terms of debentures and prompt all debentures to be immediately due for redemption.** Being aware of the risk, the Company endeavored to maintain the ratio at a level not exceeding the terms of debentures stated above.

**In addition, it had other measures to maintain liquidity and the net D/E ratio as well as to ensure that its capital structure remained at an appropriate level whereby**

1) On July 26, 2016, it issued TFW-W4 not exceeding 427.83 million units to existing shareholders through the right offering without charge at a rate of three existing shares to one TFD-W4 warrant at an exercise price of Baht 3.50 per share. The term of the warrant is not exceeding 2 years (from July 26, 2016 to June 29, 2018). The Company expects to receive approximately Baht 1.5 billion from the rights exercise during the two years' period.

2) The Company planned to sell the remaining condominium units of the 15 Sukhumvit Residences Project as soon as possible to repay financial institutions and its debentures by organizing sales campaigns such as old clients introducing new buyers and offer of furniture and all electrical appliances for would-be customers. In addition, the project was advertised through various sales channels such as exhibition booths in department stores, print media and websites such as Facebook and Instagram. As of December 31, 2016, there were 104 units waiting to be sold totaling Baht 1,429 million and another 11 units waiting to have ownership transferred totaling Baht 70 million. The transfer should be completed by Q1/2017. The Company plans to sell the remaining 104 units within 2018.

3) The Company expects to receive Baht 1,456 million from sales of its Harbor View Residences Project in mid 2018 after signing a contract to sell the entire project to Blue Ocean Real Estate Co Ltd on March 30, 2016 at a total price of Baht 1.620 billion. As of December 31, 2016, it received Baht 164 million of down payment and installments from customers. The construction of the project will complete by the end of 2017 and the ownership should be transferred by mid 2018. Schedules of the remaining payments are:

- Baht 82 million to be received within March 31, 2017
- Baht 697 million to be received within March 31, 2018
- Baht 677 million to be received within June 30, 2018

4) The Company expects to receive Baht 2,850 million from sales of 300 rai of land in the TFD Industrial Estate 2 Project in 2017 where it will start marketing the project after getting an EIA approval. At present, several customers have expressed interest to buy land from the Company but no contract has been signed as it has not yet received an EIA approval. Sales are anticipated and incomes should be gradually recognized by the latter half of 2017.

5) The Company expects to earn Baht 400 million revenues from sales of factory and warehouses (the Green Park I-III Project) in 2017. On March 9, 2016, TISCOM signed an agreement to sell a ready-built factory at the Green Park III Project totaling Baht 48 million for a sales area of 1,620 square meters. The ownership is being transferred at the moment.

6) On March 6, 2017, the Board approved to seek the 2017 AGM's approval to offer, as the private placement and the right offering, 1,265.46 million shares to existing shareholders to accommodate the rights exercise of TFD-W5 warrants allocated to existing shareholders subscribing to capital-increase ordinary shares as well as for the rights adjustment of TFD-W4. The offering is also to accommodate the plan to increase an issuance of debentures from Baht 5 billion to Baht 8.5 billion for short-term loan payments, working capital, project development and proper financial restructuring.

The factors mentioned above should improve the Company's financial position and performance which will in return enhance the net D/E ratio under the terms of debentures. The risk has no impact whatsoever to the Company.

#### 4.5 Payment of interest and principal

The Company calculated and disclosed interest rate coverage ratios in two ways as follows.

1. Calculation from profit (loss) before financial expenses and income tax expenses plus depreciation costs and amortization divided by financial expenses: the ratios were 0.16, 0.01 and 0.30 times for 2016, 2015 and 2014, respectively. In 2016, the ratio increased from end of 2015 after the Company recorded higher profit before financial expenses.

2. Calculation from the manual to prepare Form 56-1 by computing from cash flow from operating activities + interest paid from operation + tax divided by interest paid from operation and investment: the ratios were at -0.42, -3.12 and -1.23 for 2016, 2015 and 2014, respectively. The 2016 ratio was down from 2015 but remained in red after the Company recorded higher cash flow from operating activities while payment of operating interest went down.

The Company pursued a cautious policy to repay interest and principal where it negotiated to increase a loan amount from financial institutions. The request is currently under consideration. In addition, there was a plan to increase capital and expand the amount of debentures issued for debt payment in order to increase liquidity and for project development. As of December 31, 2016, there remained Baht 1,890.35 million long-term loans from financial institutions. Details are as follows.

Unit : Million Baht

Lender	Company	Project	Credit Type of	Amount	Loan withdrawn	Remaining Loan
A financial institution	TFD	Tha Sa-an	Term loan - Long	1,796.00	1,222.95	573.05
A financial institution *	TFD	Hua Hin	Term loan - Long	900.00	150.00	840.00
A financial institution **	TISCOM	Bangsaothong	Term loan - Long	420.00	218.60	201.40
A financial institution	CROWN	The Harbour	Term loan - Long	510.00	233.50	276.50
<b>Total</b>				<b>3,716.00</b>	<b>1,825.05</b>	<b>1,890.95</b>

**Note:** \* As of March 7, 2017, the Company repaid its debt and canceled a loan amount for the Huahin and Bangsaothong projects. No payment was due for the Bangsaothong Project.

\*\* On February 22, 2017, the Company received an additional Baht 175 million loan from a financial institution, which allowed the Bangsaothong Project to have another Baht 26.40 million loan left for use.

In addition, the Company expects to receive cash flow from the issuance and the right offering of TFD-W4 warrants, income recognition from sales of condominiums in the 15 Sukhumvit Residences Project, incomes from down payments of the Harbor View Residences Project, land sales revenues from the TFD Industrial Estate 2 Project and sales revenues of factories and warehouses in the Green Park I-III Project as mentioned in the risk to maintain financial ratios described above. Besides, the Company also expects to get an additional loan amount by Baht 400 million loan it requested from another financial institution. The request is currently reviewed by the institution. There is also a plan to raise fund and expand the issued amount of debentures subject to the AGM's approval.

However, the Company is closely monitoring its liquidity to ensure that principal and interest in each period is paid on time as stipulated in the terms. As of March 7, 2017, a total of Baht 190 million B/E was due for payment in March 2017. In April 2017, a total of Baht 537 million B/E and Baht 200 million debentures will be due for redemption and the Company plans to repay the due B/E as follows.

- Details of B/E due for payment in March 2017

Due Date	Value (Million Baht)	Value (Million Baht)
March 13, 2017	30	Three B/E valued each at Baht 10 million
March 15, 2017	10	One B/E valued each at Baht 10 million
March 22, 2017	70	Seven B/E valued each at Baht 10 million
March 27, 2017	50	Two B/E valued each at Baht 10 million One B/E valued at Baht 10 million
March 30, 2017	30	Three B/E valued each at Baht 10 million
<b>Total</b>	<b>190</b>	

- Details of B/E due for payment in April 2017

Due Date	Value (Million Baht)	Value (Million Baht)
April 3, 2017	10	One B/E valued each at Baht 10 million
April 5, 2017	70	Three B/E valued each at Baht 10 million Two B/E valued each at Baht 20 million
April 10, 2017	145	Ten B/E valued each at Baht 10 million One B/E Valued at Baht 20 million One B/E valued at Baht 25 million
April 11, 2017	10	One B/E valued each at Baht 10 million
April 17, 2017	122	Nine B/E valued each at Baht 10 million One B/E valued at Baht 32 million
April 21, 2017	30	Three B/E valued each at Baht 10 million
April 26, 2017	90	Seven B/E valued each at Baht 10 million One B/E valued at Baht 20 million
April 27, 2017	60	Two B/E valued each at Baht 10 million Two B/E valued each at Baht 20 million
<b>Total</b>	<b>537</b>	

- Details of debentures due for redemption in April 2017

April 10, 2017: Baht 200 million

The Company plans to renew B/E in March and April 2017 to repay B/E and debentures due for redemption. If investors opt not to renew the B/E; or if no new B/E can be issued, the Company still has a funding from a reserve amount a financial institution will extend, which is currently under review, by another Baht 400 million for debt payment. Besides, it will recognize incomes from the 15 Sukhumvit Residences Project where customers already signed agreements and are waiting to have ownership transferred of around Baht 180 million. The ownership transfer should finish in March and April 2017. In March 2017, it will receive Baht 82 million from an agreement to sell and buy the Harbor View Residences Project. The remaining Baht 900 million B/E will be repaid by a new set of debentures to be issued and a plan to increase the capital.

If the Company cannot renew the B/E and can neither issue a new B/E based on the above plan; and if the funding source set as a reserve for repayment of the B/E is not available on time to meet a repayment schedule, the Company plans to discuss with debenture dealers to find ways and means to repay the B/E. In addition, the Company has a secondary plan to offer the private placement and/or the right offering and to also increase the debenture amount (medium-term loan) in order to repay its B/E obligation (short-term debt), which will enhance liquidity, properly restructure its capital and reduce risk from repaying principal and interest. Yet, according to Clause 11 of the terms of debentures, any of the following shall be considered default according to (c): "Debentures issuer shall default payment, which is an amount of debt under a debt instrument agreement and an amount of debt resulted from any other financial operation (To avoid doubt, this will not include any derivative transaction whether or not relating to a financial debt amount), for a amount exceeding Baht 400 million or equivalent in other currencies as a result of (1) failure by the issuer to repay such amount within the original repayment schedule or within a period extended by creditors; or (2) a requirement by creditors to pay the amount before the schedule based on the creditor's rights in a relevant agreement. This however shall exclude (1) payment default against trade payables and such default is still not conclusive; or (2) default of any debt amount not affecting payment of either principal or interest of the debentures under the terms of rights." Upon such event, this could lead to the payment default based on the debentures terms of right and all debentures will be subject to immediate redemption."

- On March 6, 2017, the Board resolved to seek approval from the 2017 AGM to raise fund and to increase the debenture amount in order to reserve money for short-term repayment, secure working capital, invest in current and future projects and properly adjust TFD's financial structure. Details are as follows.

1) To offer 1,265.46 million shares at Baht 1 par value per share as the private placement and the right offering to accommodate the rights exercise of TFS-W5 warrants offered to existing shareholders subscribing to capital-increase ordinary shares and to accommodate the rights adjustment of TFD-W4 warrants.

2) To increase the debenture amount from Baht 5 billion to Baht 8.5 billion

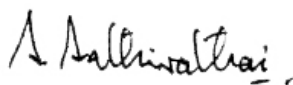
## Report of the Board of Directors' Accountability to the Financial Statements

The Board of Directors is responsible for the accuracy and completion of a consolidated statement of the company and its subsidiaries and financial information published in the Annual Report. The financial statement has been prepared on the basis of the Generally-Accepted Accounting Principles (GAAP) of Thailand upon an appropriate accounting policy regularly practiced, an exercise of discretion, the best estimate and the disclosure of adequate material information in notes to the financial statements for the best interest of shareholders and investors.


The Board of Directors has established and maintained an effective internal control to ensure that the company's accounting record is accurate, complete and adequate for the maintenance of our assets and for monitoring weaknesses to prevent corrupted or unusual practices that are material.

In this regard, the Board of Directors has set up the Audit Committee consisting of non-executive independent directors to be responsible for the quality of the financial statement and the internal control. The Auditor Committee's opinions regarding the matters are published in the Auditor Committee's report also included in the Annual Report.

The Board of Directors is of the opinion that the company's internal control system, in general, remains satisfactory, leading to its reasonable confidence that the financial statements of the company and subsidiaries as of December 31, 2016 are reliable in compliance with the GAAP and relevant laws, rules and regulations.



Dr Sunthorn Sathirathai  
Chairman of the Board



Mr. Gumpol Tiyyarat  
Managing Director

## Shareholders and Management

The Directors and Management who are holding Ordinary Shares of the Company as at December 30, 2016

Full Name	Number of Ordinary Shares (Share)		
	30 Dec. 16	30 Dec. 15	Increase (Decrease)
1. Mr. Apichai Taechaubol	409,172,850	302,283,275	106,889,575
2. Mr. Gumpol Tiyarat	150,000	120,700	29,300
3. Mr. Krittawat Taechaubol	43,995,000	43,995,000	-

### Directors' and managements' remuneration as at December 31, 2016

(1) Baht 10,000,000 was approved by the 2016 AGM as remunerations for the Board of Directors where the Board of Directors shall allocate such remunerations to each director. The directors' remuneration received as the meeting allowance and annual compensation as follows:

Full Name	Positions	Meeting Allowance (Bt.)	Annual Compensation (Bt.)	Total Remuneration (Bt.)
1. Dr. Sunthorn Sathirathai	Chairman and Independent Director	234,000.-	1,440,000.-	1,674,000.-
2. Mr. Apichai Taechaubol	Director, Vice Chairman and Executive Chairman	234,000.-	960,000.-	1,194,000.-
3. Mr. Prasong Vara-ratanakul	Audit Committee Chairman, Corporate Governance, Nomination and Remuneration Chairman and Independent Director	299,000.-	720,000.-	1,019,000.-
4. Mr. Nan Kitjalaksana	Audit Committee Member, Corporate Governance, Nomination and Remuneration Committee and Independent Director	40,000.-	183,333.-	223,333.-
5. Dr. Sutham Vanichseni	Audit Committee Member, Corporate Governance, Nomination and Remuneration Committee and Independent Director	140,000.-	416,667.-	556,667.-
6. Mr. Sommart Sangkhasap	Audit Committee Member, Corporate Governance, Nomination and Remuneration Committee and Independent Director	260,000.-	600,000.-	860,000.-
7. Mr. Gumpol Tiyarat	Director, Executive Director and Managing Director	218,000.-	540,000.-	758,000.-
8. Mr. Anukul Ubonnuch	Director	169,000.-	540,000.-	709,000.-
9. Mr. Bunyong Visatemongkolchai	Director	169,000.-	526,500.-	695,500.-
10. Mr. Krittawat Taechaubol	Director and Executive Director	117,000.-	540,000.-	657,000.-
<b>Total</b>		<b>1,880,000.-</b>	<b>6,466,500.-</b>	<b>8,346,500.-</b>

**Remark :** \* Mr. Nan Kitjalaksana resigned from the position of Director on April 20, 2016

Dr. Sutham Vanichseni appointed in the position of Director on April 21, 2016

Mr. Bunyong Visatemongkolchai resigned from the position of Director on December 22, 2016

(2) The management's remuneration starts from the Deputy Managing Director level up to the Executive Chairman as follow:

Total of Remuneration	Managements	2016	Managements	2015
Salary / Annual Incentive	6	37,605,797.20	6	29,981,799.16

**Remark:** In 2016, there were 6 managements consist of

- 1) Mr. Apichai Taechaubol
- 2) Mr. Gumpol Tiyarat
- 3) Mr. Krittawat Taechaubol
- 4) Ms. Vilai S. Ngow
- 5) Mrs. Siriporn Pinprayong
- 6) Mrs. Rachanee Siwawej



## Major Shareholders

as at December 30, 2016

		No. of Shares	%
1. Mr. Apichai	Taechaubol	409,172,850	25.09
2. Mrs.Chalida	Taechaubol	248,550,072	15.24
3. Thai NVDR Co., Ltd.		49,983,448	3.06
4. Mr. Krittawat	Taechaubol	43,995,000	2.70
5. Mr. Chotiwit	Taechaubol	35,788,559	2.19
6. Mrs. Pensri	Rattanasoontrakul	20,259,281	1.24
7. Mr.Thawat	Thanawutwattana	16,448,802	1.01
8. Mrs. Khanthong	Udommahantisu	15,159,651	0.93
9. Mr. Sumet	Tiyaworanan	12,654,490	0.78
10. Other		778,903,735	47.76
<b>Total</b>		<b>1,630,915,888</b>	<b>100</b>

## General Information

The Thai Factory Development Public Company Limited (“TFD”),  
registered no. 0107537000475 (Bor Mor Jor. 294) with head office at  
18 Soi Sathorn 11 Yaek 9,  
TFD Building, Yannawa, Sathorn,  
Bangkok 10120, Thailand  
Tel : (66) 2676 4031-6 , (66) 2676 3836-9  
Fax : (66) 2676 4038-9  
Website : www.tfd-factory.com

## Nature of Business

The Company’s main activities are categorized according to its sources of revenue into 4 types as follows:

1. Industrial Estate
2. Sale and rental, Land, ready-made factory, warehouses, and management
3. Rental for office space, and property management service of real estate
4. Construction, Design, and Construction Control

## The Company’s Capital

The Company’s registered capital is Baht 2,096,335,206.- divided into 2,096,335,206 of ordinary shares with a par value of Baht 1. The Company’s shares issued has registered at 1,630,915,888 shares with a par value of Baht 1, and paid up of Baht 1,630,915,888.-. The ordinary shares remaining at 465,419,318 shares, divided as unpaid as follows:

- 1) Ordinary shares in the amount of 427,825,468 shares to be reserved for the exercise of Warrants No. 4 (TFD-W4) which non exercise at 427,825,468 units with exercised price of Baht 3.262 and the last exercised date is on June 29, 2018.
- 2) Ordinary shares in the amount of 8,333 shares left after the allocation of Warrants No.4 (TFD-W4).
- 3) Ordinary shares in the amount of 37,585,517 shares left after the allocation of new ordinary shares shares through the Right Offering under a general mandate.

## The Subsidiary Companies

**Total Industrial Services Co., Ltd.** was established in April 2003 with registered capital of Baht 400 millions, TFD holds 100% of shares, and the Company’s activity provides the construction of standard factory and warehouses for sale and rent. Head office is situated at 18 Soi Sathorn 11 Yaek 9, TFD Building, Yannawa, Sathorn, Bangkok 10120, Thailand

Tel. : (662) 676-4055-57  
Fax. : (662) 676-4064  
Website : www.tiscom.co.th

**Barnsley Warehouses Limited** was established in April 2014 with registered capital of GBP 630,000. TISCOM holds 100% of shares, with the objective to operate the investment in land and warehouse for lease and sale. Head office is situated at 10 Norwich Street, London EC4A 1BD, United Kingdom.

**Bognor Regis Warehouses Limited** was established in January 2015 with registered capital of GBP 1,620,000. TISCOM holds 100% of shares, with the objective to operate the investment in land and warehouse for lease and sale. Head office is situated at 189 Piccadilly St. James, London W1J 9ES, United Kingdom..

**CROWN Development Co., Ltd.** (VSSL Enterprise Co., Ltd.) was established in July 1998 with registered capital of Baht 701 millions, TFD holds 100% of shares, and the Company's activity provides real estate business. Head office is situated at 18 Soi Sathorn 11 Yaek 9, TFD Building, Yannawa, Sathorn, Bangkok 10120, Thailand

Tel. : (662) 676-4031

Fax. : (662) 676-4038

**SG Land Co., Ltd.** was established in June 1988 with registered capital of Baht 100.45 millions, TFD holds 49.91% of shares, and the Company's activity provides office building rental. Head office is situated at No. 161/1, Soi Mahad Lek Luang 3, Ratchadamri Road, Lumpini, Pathumwan, Bangkok 10500.

Tel. : (662) 651-9485, (662) 651-8577-78

Fax. : (662) 651-8575, (662) 651-9471

**TFD Real Estate Management Co., Ltd.** was established in June 1988 with registered capital of Baht 10 millions, TFD holds 100% of shares, and the Company's activity provides Property Fund and REIT. Head office is situated at 18 Soi Sathorn 11 Yaek 9, TFD Building, Yannawa, Sathorn, Bangkok 10120, Thailand.

Tel. : (662) 676-0288

Fax. : (662) 676-0277

## The Shares Registrar

**Thailand Securities Depository Co., Ltd.**

The Stock Exchange of Thailand Building,  
93, Ratchadapisek Road,  
Dindaeng, Bangkok 10140

Tel. : (662) 009-9991

Fax. : (662) 009-9999

## Securities Dealer and Securities Underwriter (B/E and Bond)

**ASIA PLUS SECURITIES PUBLIC COMPANY LIMITED**

3<sup>rd</sup> Floor, Sathorn City Tower, 175 South Sathorn Road,  
Thungmahamek, Sathorn, Bangkok 10120

Tel. : (662) 680-1111

Fax. : (662) 680-1014

**KT ZMICO SECURITIES COMPANY LIMITED**

8<sup>th</sup>, 15<sup>th</sup> - 17<sup>th</sup>, 19<sup>th</sup>, 21<sup>st</sup> Floor, Liberty Square Bldg.,  
287 Silom Road, Bangrak, Bangkok, Thailand 10500

Tel. : (662) 695-5000

Fax. : (662) 695-5173

## The Auditor

Ms. Watoo Kayankannavee                      CPA No. 5423 or  
Ms. Waraporn Prapasirikul                      CPA No. 4579 or  
Ms. Chonlaros Suntiasvaraporn                      CPA No. 4523  
EY Office Limited  
33<sup>rd</sup> Floor, Lake Rajada Office Complex,  
193/136-137 Rajadapisek Road,  
Klongtoey, Bangkok 10110  
Tel. : (662) 264-0777  
Fax. : (662) 264-0789-90

## The Solicitor

**The Far East Law Office (Thailand) Co., Ltd.**  
24<sup>th</sup> Floor, No. 121/74-75,  
R.S. Tower, Dindaeng,  
Bangkok 10310  
Tel. : (662) 711-4912  
Fax. : (662) 711-4920

## The financial advisors

**DS Prudential Management Co., Ltd.**  
5<sup>th</sup> Floor 540 Ploenchit Road,  
Lumpini, Pathumwan, Bangkok 10330  
Tel. : (662) 658-5988  
Fax. : (662) 658-5877

## The Share Listings

The Company's shares are listed and traded on the Stock Exchange of Thailand.

## The Bankers and Other Financiers

The Siam Commercial Bank Plc.  
Bank of Ayudhya Plc.  
Bangkok Bank Plc.  
Thanachart Bank Plc.  
Krungthai Bank Plc.  
Land and Houses Bank Plc.



## FACTORY LOCATION MAP







บริษัท ไทยพัฒนาโรงงานอุตสาหกรรม จำกัด (มหาชน)  
SINCE 1977 Thai Factory Development Public Company Limited

เลขที่ 18 ซอยสาทร 11 แขวง 9

อาคารทีเอฟดี แขวงยานนาวา เขตสาทร

กรุงเทพมหานคร 10120

โทรศัพท์ : (66) 2676 4031-6, (66) 2676 3836-9

โทรสาร : (66) 2676 4038-9

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[www.tfd-factory.com](http://www.tfd-factory.com)