

# Harmony

Under the same Roof



**TELON**

Annual Report 2013





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## MESSAGE FROM THE CHAIRMAN OF THE BOARD

2013 was a year of substantial growth and progressive investment to enhance TICON's competitiveness. Amidst global economic instability and domestic political conflicts, our warehouse leasing business has grown impressively, while our factory leasing had a lesser-than-expected growth. During the year, we focused on expanding our portfolio into strategic locations, in preparation for serving the higher demand for warehouse/factory, following global economic recovery and upcoming AEC integration in 2015, as well as government mega-infrastructure projects.

### Factory leasing

A slight recovery of the global economic slowdown has shown some improvements in our factory leasing activities.

In 2013, we had 82,900 square meters of new factory leasing, decreasing by 39.8 percent from the previous year. However, **net** factory leasing rose by 44,575 square meters, higher than the 12,950 square meters achieved in 2012 - following the flood crisis in 2011. Half of the new tenants were Japanese automobile and electronics manufacturers.

During 2013 TICON saw a positive sign in factory leasing in the 2011 flood-affected area of Ayudhya and Pathumthani provinces. More than 30 percent of the new leases were in those locations. We were also able to raise the rental rate as appropriate. This reflected a recovery of demand for factories in those central-plain areas. Nevertheless, there were new floods that occurred in Chonburi and Prachinburi provinces in October of last year. Thankfully, the floods did not cause any damage to the Company's factories/warehouses. TICON put full efforts to monitor the water situation closely, and promptly assisted our tenants to protect factories and their assets and equipments.

The average occupancy rate of the Company's factories during 2013 was 73 percent. High level of vacancy was shown in flood-affected zone, while a high level of occupancy of 92 percent was achieved in the eastern area of Thailand.

### Warehouse leasing

In 2013, a total of new warehouse leasing of 212,907 square meters was achieved. **Net** leasing was 196,357 square meters, a strong 14.5 percent increase from the previous year. More than 70 percent of the new tenants were logistics service providers. 40 percent of new customers were Japanese.

Following the flood crisis in 2011, many entrepreneurs have preferred to diversify their warehouse requirement into various strategic locations. The intense competition of the consumer/retail business has led to more demand in warehouse leasing in



**Mr. Chali Sophonpanich**  
Chairman of the Board





different locations. Despite the expiry of government-supported First Car Scheme, the automobile industry still has the potential to grow further, on the back of the upcoming AEC integration.

During last year, we have expanded our warehouse locations into several strategic areas, including main towns in the Northeast and in the South, to serve the expected higher demand of warehouses, as well as to add to our competitive advantages. As a result, TICON group now has warehouse locations all together 29 locations, up from 21 locations in the previous year.

Last year average occupancy for the warehouses was 71 percent, a decrease from 89 percent achieved during the previous year. We see this decrease in occupancy as a temporary result of such quick expansion in portfolio.

### Investment activity

In 2013, we spent more than Baht 9 billion for land acquisition and factory/warehouse development, a 50 percent increase from the previous year. Half of the investment was for new land to develop into logistics parks. Approximately 40 percent was for logistics warehouse development. The remaining was spent on land and factory development. This set a new high record of our investment in the 24-year history. We have positive view towards global economic recovery, AEC 2015 and the prospect of government-supported transportation infrastructure plans.

In the second quarter of 2013, a subsidiary named TICON Management Company Limited (TMAN) was set up for the purpose of being a Real Estate Investment Trust (REIT) manager, in preparation of operating a REIT in the future. TMAN has no operation at present. As for the other two overseas subsidiaries in China and the USA, we have not pushed ahead with investments quickly. According to our studies, there is still no investment that has yet met our expected returns. As a result, no transaction has been completed in these two countries.

In the fourth quarter of last year, the Company has sold/leased factories and warehouses totaling 286,320 square meters to TICON Industrial Growth Leasehold Property Fund (TGROWTH), and received Baht 5.5 billion. TGROWTH is a newly established property fund set up to hold leasehold properties. Whenever an establishment of REIT is allowed, TICON has a plan to convert TGROWTH into a REIT. At the end of 2013, TICON has 28.5 percent stake in TGROWTH.

### Overall performance

In 2013, TICON recorded its historical profit of Baht 1,414.2 million, or 9.1 percent increase from the previous year. Income

from factory/warehouse leasing which is our main income has increased consistently to Baht 1,109.7 million, growing by 5.4 percent from the previous year. TICON had sales of factories/warehouses worth Baht 4,663 million. Total revenue was Baht 6,310 million, an increase of 8 percent. As the property manager for TICON Property Fund (TFUND) and TPARK Logistics Property Fund (TLOGIS), TICON received management fee totaling Baht 152.6 million, an increase of 45.2 percent from the previous year. In addition, TICON had share of profit from investment in both funds of Baht 216.6 million, a 28 percent increase. This resulted from the funds' better performance, as well as their growth in assets-under-management.

The Company's extensive capital expenditures resulted in a high debt-to-equity ratio of 2 times at the end of 2013. In early 2014, we will consider measures to reduce the D/E ratio, which may include an increase in TICON's capital.

### Outlook

The political turmoil, which undermines foreign direct investment, has inevitably been a concern to TICON. However, I hope that the prolonged political troubles will be peacefully resolved. Despite such troubling factor, I am confident that TICON business will continue to grow at a good pace, following ever-more clear picture of global economic recovery, the integration of AEC, a prospect of government-supported transportation infrastructure spending, as well as a unique advantage of Thailand in terms of geographical location.

In 2014, TICON plans to grow and expand our business with a lesser capital expenditure outlay, as compared to 2013. We will continue to focus on factory and warehouse development to serve demand within the country which continues to be buoyant. The developments will be done mainly on those lands acquired in the past 1-2 years. As for our overseas prospects, whenever the investment returns meet our satisfaction, we may consider making such decision to invest abroad.

I would like to take this opportunity to thank our core shareholders, investors, business alliances, customers, management team and staff, and all related parties, for being parts of our success. With your continued supports, we believe that 2014 will be another successful year for TICON.

# REPORT OF THE AUDIT COMMITTEE ON CORPORATE GOVERNANCE FOR THE YEAR 2013



**Mr. David Desmond Tarrant**  
Director and Chairman  
of the Audit Committee





## TO : THE SHAREHOLDERS OF TICON INDUSTRIAL CONNECTION PUBLIC COMPANY LIMITED

TICON's Audit Committee comprises three qualified independent directors, who have experience in business administration and finance. The members are independent and have suitable qualifications in compliance with the SET regulations and Best Practice Guidelines for Audit Committee. Presently, the members of the Committee are Mr. David Desmond Tarrant - the Chairman, Mr. Chatchaval Jiaravanon, and Mr. Threekwan Bunnag.

The Committee has performed its duties as assigned by the Board of Directors and the Company's practice guidelines for Audit Committee in accordance with SET regulations. The Committee has focused on conformity with good corporate governance, having good internal audit system, and encouraging preventive audit method, including risk management and benefit protection for all stakeholders equally. During the year 2013, the Committee held four meetings. All the Committee members attended every meeting. The Company Executives, the internal auditor and the external auditor also joined every meeting. The discussions in the Meetings are summarized as follows:

### 1. REVIEWING THE FINANCIAL STATEMENTS.

The Audit Committee joined with Management, Internal Auditor and External Auditor, has reviewed the 2013 quarterly and year-end financial statements for the Company and the consolidation as well as the related party transactions and the transactions that may have conflicts of interest. The Company's external auditor has participated in every session of considering reviewing the financial statements. The Audit Committee made inquiries from the external auditor in regard to the correctness and completeness of the financial statements, the adjustment of key accounting entries affecting the statements, the appropriateness of accounting entry methods and audit scope, as well as the accuracy and adequacy of the disclosure. The Audit Committee was of the opinion that the financial statements were prepared in compliance with related regulations and were presented in a complete, and reliable manner, and reasonable in all material respects adhering to the generally accepted accounting principles. In addition, the Committee held a meeting with the external auditors in an absence of the Management to examine the external auditors' work scope and independency in performing their duties.

### 2. REVIEWING THE EFFECTIVENESS OF INTERNAL CONTROL SYSTEM.

In every quarter, the Committee, together with the internal auditor and the external auditor, has examined and reviewed the internal control systems including operations, asset maintenance and the internal control system for the significant workflows of the Company. The external auditor and the Committee were of the opinion that the Company has a sufficient internal control system. No weakness or significant deficiency in such system has been found. The Company's assets have been appropriately kept and maintained. As well, the Company has an appropriate, adequate, and efficient operating monitoring system.

### 3. REVIEWING CORPORATE GOVERNANCE.

The Committee has reviewed compliance with the workflows, the Securities and Exchange Acts, SET regulations, and other relevant laws. The Committee found no significant lack of compliance with such workflows, laws, and regulations. In addition, the external auditor and the Audit Committee have reviewed connected transactions or transactions that may have conflicts of interest, and agreed that the significant details of the connected transactions were disclosed accurately and completely in the Financial Statements and its Notes, and were reasonably taken and provided the most benefit to the Company. Moreover, the Committee conducted an assessment on the performance of its collective membership with satisfactory results.

#### 4. REVIEWING THE INTERNAL AUDIT.

The Committee has reviewed mission, scope of work, duties and responsibilities, manpower and remuneration, of the Internal Audit Department, as well as approved annual audit plan. The Committee has followed up management actions in response to the internal audit's findings and recommendations. The findings and recommendations are reported directly to the Audit Committee every quarter. In 2013, it focused on reviewing procurement process, contractor selecting system and fixed asset control process. The Internal Audit Department has reviewed the Company's operating procedures and operating systems to be in compliance with relevant rules and regulations. The Department gives advice and recommendations to improve operating procedures in correspond to current situations. The Audit Committee has the opinion that the Company's internal audit system is sufficient, appropriate and effective, and the Internal Audit Department is independent in performing its duties.

#### 5. RECRUITING THE EXTERNAL AUDITORS.

For the year 2013, The Committee has recruited external auditors by taking into considerations their performance, independence in performing their duties, as well as appropriateness of their remuneration. The Committee has agreed to propose auditors from Ernst & Young Office Limited, comprising Ms. Rungnapa Lertsuwankul, Certified Public Accountant Registration number 3516 (who has served as the Company's external auditor for the past four consecutive years) and/or Mr. Sophon Permsirivallop, Certified Public Accountant Registration number 3182 (who served as the Company's external auditor during 2004 – 2008) and/or Ms. Sumalee Reewarabandith, Certified Public Accountant number 3970, to serve as the Company's external auditor for the year 2013, with remuneration at the same amount as the previous year of 770,000 Baht. The proposal was submitted to the Board of Directors and the 2013 Annual General Meeting of Shareholders for approval.

In summary, the Audit Committee had fulfilled its responsibility in accordance with the Audit Committee Charter approved by the Board of Directors. The Committee has performed its duty with knowledge, professional competency, caution and prudence, as well as adequate independence in protecting the benefits of all stakeholders equally. The Committee was of the opinion that the Company's financial reports were accurate, reliable, and contained adequate information, in accordance with the generally accepted accounting principles. Besides, the Company has implemented sufficient, appropriate, and effective internal control system, carried out good corporate governance and complied with legislation and regulations relevant to its business.

On behalf of the Audit Committee



**(Mr. David Desmond Tarrant, F.C.A.)**  
Chairman of the Audit Committee



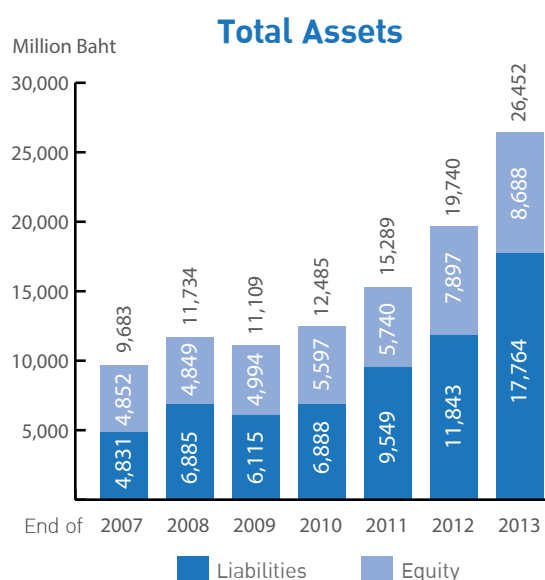
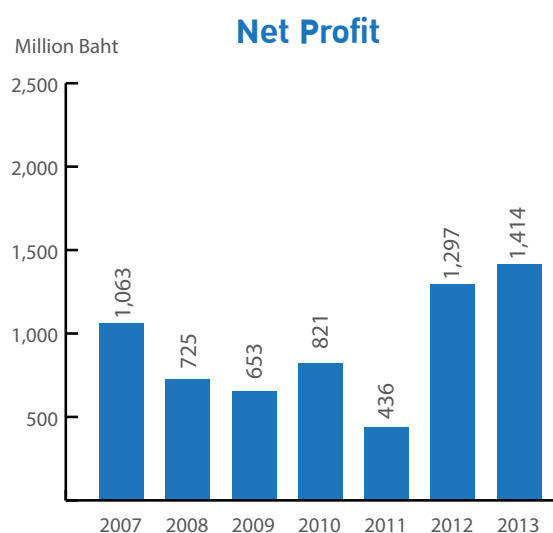
# FINANCIAL HIGHLIGHTS



Unit : Million Baht

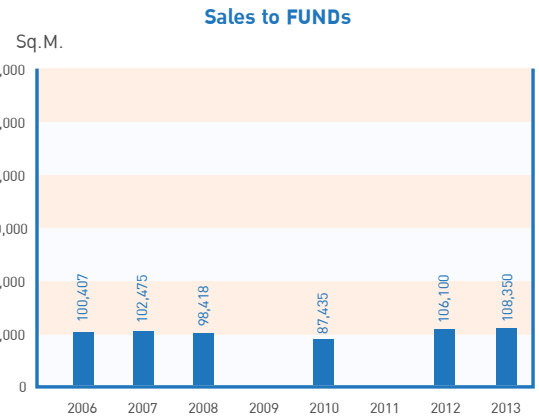
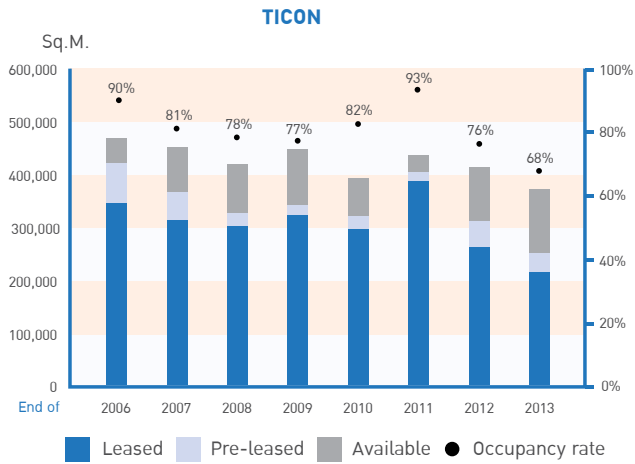
	2013	2012	2011
Sales of properties	4,663.04	4,364.45	1,076.47
Rental and service income	1,109.69	1,053.01	880.23
Property management fee from property funds	152.59	105.07	113.44
Share of profit from investments in property funds	216.57	169.22	160.80
Realized additional gain on sales of properties to property funds	154.45	35.29	3.52
Cost of sales of properties	2,886.28	2,691.07	700.59
Cost of rental and service	261.52	392.29	248.12
Selling and administrative expenses	715.60	432.00	326.04
Net profit	1,414.23	1,296.57	436.39
Assets	26,451.39	19,736.00	15,288.73
Liabilities	17,763.63	11,839.27	9,548.54
Shareholders' equity	8,687.76	7,896.73	5,740.19
Return on equity (%)	17.05	19.02	7.70
Return on fixed assets (%)	10.06	12.90	7.11
Dividend pay-out (%)	64.52*	70.35	71.59

\*Based on paid-up shares as at March 5, 2014

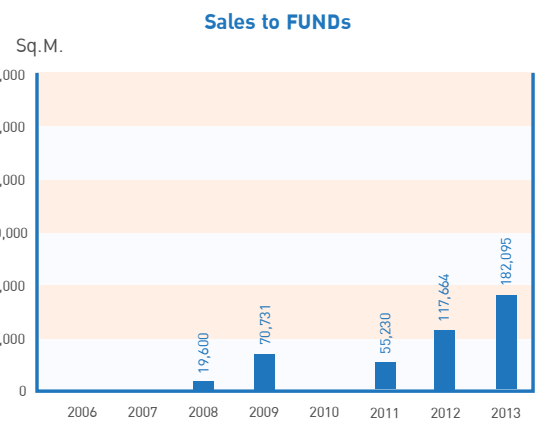
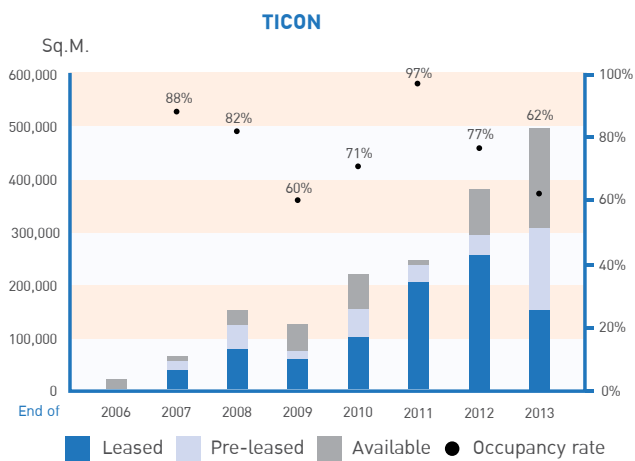


# F ACTORY / WAREHOUSE

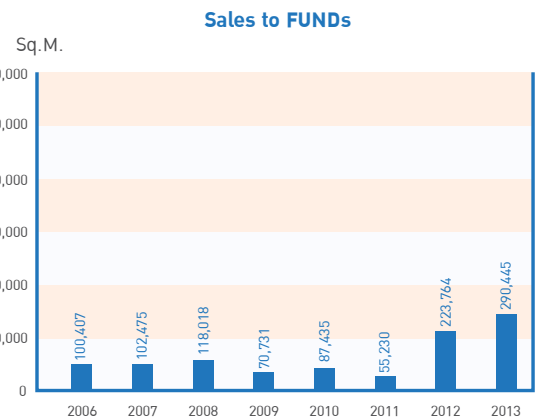
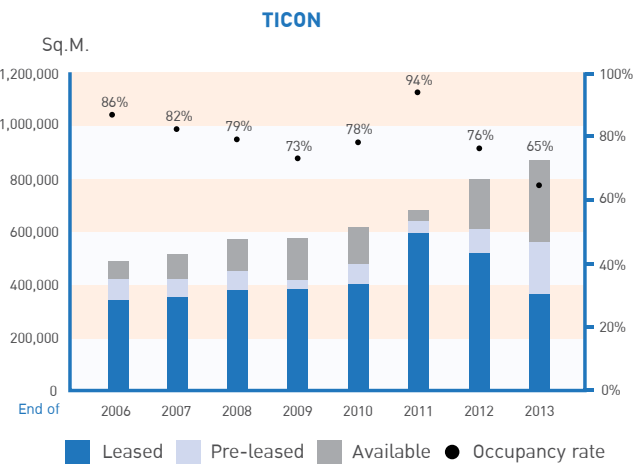
## FACTORY



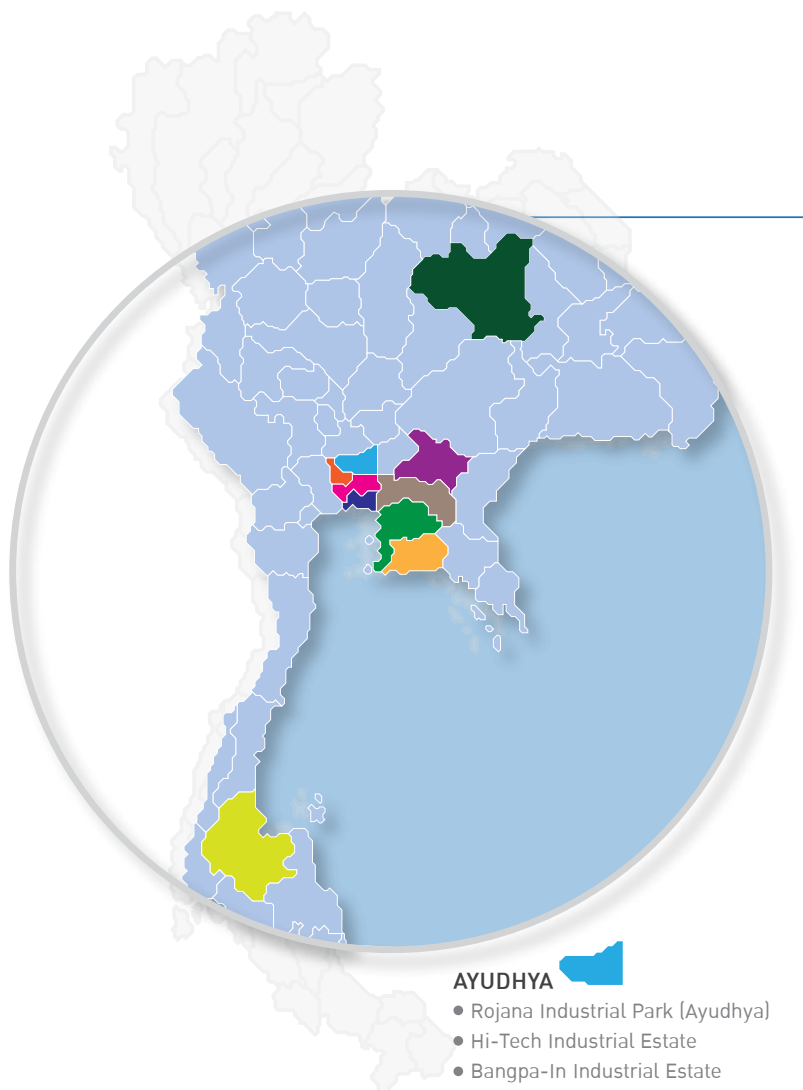
## WAREHOUSE



## FACTORY & WAREHOUSE







- Factories
- Warehouses

**KHONKAEN**

- TPARK Khonkaen

**PRACHINBURI**

- Kabinburi Industrial Zone
- Rojana Industrial Park (Prachinburi)

- TPARK ROJANA (PRACHINBURI)

**CHACHOENGSAO**

- TPARK BANGNA
- TPARK BANGPAKONG

**CHONBURI**

- Amata Nakorn Industrial Estate
- Hemaraj Chonburi Industrial Estate
- Laemchabang Industrial Estate
- Pinthong Industrial Estate

- TPARK AMATA NAKORN
- TPARK BOWIN
- TPARK SRIRACHA
- TPARK LAEMCHABANG (2 Locations)
- TPARK PHAN THONG (3 Locations)
- TPARK EASTERN SEABOARD 1 (2 Locations)
- TPARK EASTERN SEABOARD 2 (2 Locations)
- TPARK EASTERN SEABOARD 3

**RAYONG**

- Amata City Industrial Estate
- Rojana Industrial Park (Rayong)
- TPARK EASTERN SEABOARD 1 (1 Location)

**SURAT THANI**

- TPARK SURAT THANI

**AYUDHYA**

- Rojana Industrial Park (Ayudhya)
- Hi-Tech Industrial Estate
- Bangpa-In Industrial Estate

- TPARK ROJANA (AYUDHYA)
- TPARK WANGNOI (3 Locations)

**PATHUMTHANI**

- Navanakorn Industrial Promotion Zone

**BANGKOK**

- Ladkrabang Industrial Estate

- TPARK LADKRABANG

**SAMUTPRAKARN**

- Bangpoo Industrial Estate
- Asia Industrial Estate

- TPARK BANGPLEE (5 Locations)

# SOCIAL RESPONSIBILITIES



TICON donated relief bags to people who have directly suffered from flooding in Ampher Ban Sang, Prachinburi province.



TICON arranged "TICON Green Life: Conservation of the Mangrove Forest" project. Management and employees participated in planting mangrove forest at Bangpu Nature Education Center, Samutprakarn province.



Management and employees of TICON made donations of necessary supplies and supporting fund to Wat Si Chantharam, Samut Prakarn province and Bangpakong Home for the Disabled, Chachoengsao province under "TICON Gives Love #2" project.



TICON donated computer devices and office supplies, e.g. desktop computers and notebooks, printers, monitors, ultra power supplies, telephones, etc. to Suankaew Foundation, Nonthaburi province.



# BOARD OF DIRECTORS AND MANAGEMENT



## Mr. Chali Sophonpanich

Chairman of the Board

Age: 53 years

Education:

- Master of Business Administration, The University of Chicago
- Director Accreditation Program 2005, Thai Institute of Directors Association

Shareholding :

3.31 percent (as at March 14, 2014)

Relationship among directors/management:

- None -

Related experience:

### 2010 – Present

Director, Shanghai TICON  
Investment Management Co., Ltd.  
(Fund management)

### 1997 – Present

President, Asia Industrial Estate Co., Ltd.  
(Property)

### 1987 – Present

President, City Realty Co., Ltd. (Property)



## Mr. Jirapongs Vinichbutr

Director

Age: 63 years

Education:

- Master of Business Administration, George Washington University
- Director Accreditation Program 2005, Thai Institute of Directors Association
- Director Certification Program 2005, Thai Institute of Directors Association

Shareholding:

- None - (as at March 14, 2014)

Relationship among directors/management:

Mr. Chai Vinichbutr's relative

Related experience:

### 2012 – Present

Managing Director, Rojana Prachinburi  
Industrial Park Co., Ltd. (Property)

### 2012 – Present

Managing Director, Rojana Rayong 2  
Industrial Park Co., Ltd. (Property)

### 2010 – Present

Director, Shanghai TICON  
Investment Management  
Co., Ltd. (Fund Management)

### 2005 – Present

Chairman of the Board, TICON  
Logistics Park Co., Ltd. (Warehouses for rent)

### 1993 – Present

Managing Director, Rojana Industrial  
Park Public Co., Ltd. (Property)



### Mr. Chai Vinichbutr

Director

Age: 40 years

Education:

- Bachelor of Business Administration, Boston University
- Director Accreditation Program 2007, Thai Institute of Directors Association

Shareholding:

- None - (as at March 14, 2014)

Relationship among directors/management:

Mr. Jirapongs Vinichbutr's relative

Related experience:

#### 2013 – Present

Director, TICON Management Co., Ltd.  
(REIT manager)

#### 2012 – Present

Director, Eco Industrial Services Co., Ltd.  
(Factories for rent)

#### 2011 – Present

Director, Bangkok Office 3 Co., Ltd. (Property)

#### 2011 – Present

Director, Bangkok Office 4 Co., Ltd. (Property)

#### 2007 – Present

Director, Rojana Industrial Park Public Co., Ltd.  
(Property)

#### 2004 – Present

Managing Director, Rojana Property Co., Ltd.  
(Property)



### Mr. Wei Cheng Kuan

Director and President

Age: 56 years

Education:

- Master of Business Administration, The University of Chicago

Shareholding:

- None - (as at March 14, 2014)

Relationship among directors/management:

Mrs. Yupadee Kuan's spouse

Related experience:

#### 2012 – Present

Director, TICON Property, Inc.  
(Property investment)

#### 2010 – Present

Director, Shanghai TICON Investment Management Co., Ltd. (Fund management)

#### 2005 – Present

Director, TICON Logistics Park Co., Ltd.  
(Warehouses for rent)

#### 2001 – 2011

Managing Director, Eco Industrial Services Co., Ltd. (Factories for rent)



# BOARD OF DIRECTORS AND MANAGEMENT



**Mrs. Yupadee Kuan**

Director

Age: 52 years

Education:

- Master of Business Administration, Michigan State University
- Director Certification Program 2013, Thai Institute of Directors Association

Shareholding:

3.55 percent (as at March 14, 2014)

Relationship among directors/management:

Mr. Wei Cheng Kuan's spouse

Related experience:

**2013 – Present**

Director, TICON Management Co., Ltd.  
(REIT manager)

**2012 – Present**

Director, Eco Industrial Services Co., Ltd.  
(Factories for rent)



**Mr. Virapan Pulges**

Director and Managing Director

Age: 53 years

Education:

- Master of Engineering, University of Colorado
- Director Certification Program (Fellow member) 2002, Thai Institute of Directors Association
- DCP Refresher Course 2006, Thai Institute of Directors Association
- Audit Committee Program 2010, Thai Institute of Directors Association
- Certification for Executive Program, CMA11 Capital Market Academy

Shareholding:

1.22 percent (as at March 14, 2014)

Relationship among directors/management:

- None -

Related experience:

**2013 – Present**

Director, TICON Management Co., Ltd. (REIT manager)

**2010 – Present**

Director, Shanghai TICON Investment Management Co., Ltd.  
(Fund management)

**2005 – Present**

Director, TICON Logistics Park Co., Ltd.  
(Warehouses for rent)

**2001 – Present**

Director, Eco Industrial Services Co., Ltd.  
(Factories for rent)


**Mr. David Desmond Tarrant**

Director and Chairman  
of the Audit Committee

Age: 71 years

Education:

- Fellow of the Institute of Chartered Accountants in England & Wales
- Director Accreditation Program 2007, Thai Institute of Directors Association

Shareholding:

0.06 percent (as at March 14, 2014)

Relationship among directors/management:

- None -

Related experience:

**1995 – Present**

Director, Sakura Ventures Pte. Ltd.  
(Property, Offices and Hotels)

**2008 – 2012**

Director, Chairman of Audit Committee  
and Compensation Committee,  
Golden Land Property Development  
Public Co., Ltd. (Property)


**Mr. Chatchaval Jiaravanon**

Director and Audit Committee's member

Age: 52 years

Education:

- Bachelor of Business Administration, University of Southern California
- Director Accreditation Program 2008, Thai Institute of Directors Association
- Certification for Executive Program, CMA9 Capital Market Academy

Shareholding:

- None - (as at March 14, 2014)

Relationship among directors/management:

- None -

Related experience:

**2004 – 2012**

Director and Chairman of the Board,  
Metrostar Property Public Co., Ltd.  
(Property)


**Mr. Threekwan Bunnag**

Director and Audit Committee's member

Age: 57 years

Education:

- Master of Business Administration, University of North Texas
- Director Certification Program 2001, Thai Institute of Directors Association
- Director Accreditation Program 2006, Thai Institute of Directors Association

Shareholding:

0.13 percent (as at March 14, 2014)

Relationship among directors/management:

- None -

Related experience:

**2008 – Present**

Director, TICON Logistics Park Co., Ltd.  
(Warehouses for rent)

**2009 – 2012**

Independent Director, Audit Committee  
and Compensation Committee,  
Golden Land Property Development  
Public Co., Ltd. (Property)

# BOARD OF DIRECTORS AND MANAGEMENT

## **Dr. Somsak Chaipayorn** **General Manager**

Age

Education

Shareholding

Relationship among directors/management

Related experience

- 62 years
- Docteur Ingenieur (Mecanique), Ecole Centrale de Lyon
- 0.01 percent (as at March 14, 2014)
- - None -
- 2001 – Present General Manager,  
Eco Industrial Services Co., Ltd. (Factories for rent)

## **Miss Lalitphant Phiriyaphant** **Chief Financial Officer and Company Secretary**

Age

Education

Shareholding

Relationship among directors/management

Related experience

- 48 years
- Master of Economics, Thammasat University
- Company's Secretary Program 2003,  
Thai Institute of Directors Association
- 0.02 percent (as at March 14, 2014)
- - None -
- 2013 – Present Director,  
TICON Management Co., Ltd. (REIT manager)

## **Mr. Samart Rusmeerojwong** **Chief Investor Relation**

Age

Education

Shareholding

Relationship among directors/management

Related experience

- 47 years
- Master of Business Administration,  
Notre Dame de Namur University
- - None - (as at March 14, 2014)
- - None -
- - None -

## **Mr. Somsak Ratanavirakul** **Head of Marketing 1**

Age

Education

Shareholding

Relationship among directors/management

Related experience

- 54 years
- Master of Business Administration,  
Chulalongkorn University
- 0.00 percent (as at March 14, 2014)
- - None -
- 1996 – 2004 Project Planning Manager,  
Thai Factory Development Public Co., Ltd. (Property)

## **Mr. Shigeyuki Horie** **Head of Marketing 2**

Age

Education

Shareholding

Relationship among directors/management

Related experience

- 55 years
- Bachelor of Engineering, Tokyo Denki University
- 0.00 percent (as at March 14, 2014)
- - None -
- - None -


**Mrs. Yuko Hoshi**
**Head of Marketing 3**

Age

Education

Shareholding

Relationship among directors/management

Related experience

- 43 years
- Bachelor of Social Science, Chiba University
- 0.00 percent (as at March 14, 2014)
- - None -
- - None -

**Mr. Peerapat Srisukont**
**Head of Project Development**

Age

Education

Shareholding

Relationship among directors/management

Related experience

- 45 years
- Master of Science in Engineering, Texas A&M University, Kingsville
- Master of Business Administration, Mahidol University International College
- 0.00 percent (as at March 14, 2014)
- - None -
- - None -

**Miss Siriporn Sombatwatthana**
**Head of Administration**

Age

Education

Shareholding

Relationship among directors/management

Related experience

- 51 years
- Bachelor of Business Administration, Assumption University
- 1.77 percent (as at March 14, 2014)
- - None -
- - None -

**Mr. Sittisak Thareerat**
**Head of Legal**

Age

Education

Shareholding

Relationship among directors/management

Related experience

- 50 years
- Bachelor of Laws, Ramkhamhaeng University
- - None - (as at March 14, 2014)
- - None -
- - None -

**Miss Rungtip Piyayodilokchai**
**Head of Accounting**

Age

Education

Shareholding

Relationship among directors/management

Related experience

- 43 years
- Master of Business Administration, Monash University
- - None - (as at March 14, 2014)
- - None -
- - None -

**Miss Pornpimol Supawiratbancha**
**Head of Finance**

Age

Education

Shareholding

Relationship among directors/management

Related experience

- 38 years
- Master of Business Administration, Thammasat University
- 0.00 percent (as at March 14, 2014)
- - None -
- - None -



## GENERAL INFORMATION

### THE COMPANY

Name	TICON Industrial Connection Public Company Limited
Type of business	Developing ready-built factories for rent
Registered number	0107544000051 (Bor Mor Jor 666)
Head office address	Suite 1308, 13/1 <sup>th</sup> Floor, Sathorn City Tower, 175 South Sathorn Road, Thungmahamek, Sathorn, Bangkok, 10120 Tel: (662) 679-6565 Fax: (662) 287-3153
Website	<a href="http://www.ticon.co.th">www.ticon.co.th</a>
E-mail address	<a href="mailto:ticon@ticon.co.th">ticon@ticon.co.th</a>
Registered capital	Baht 1,263,740,168 (As at March 5, 2014)
Paid-up capital	Baht 912,396,032 (As at March 5, 2014)
Par value	Baht 1 per share

### SUBSIDIARIES

#### Eco Industrial Services Company Limited

Type of business	Developing ready-built factories for rent in Laemchabang Industrial Estate with BOI Privileges
Shareholder	TICON Industrial Connection Public Co., Ltd. holds 100 percent.
Head office address	49/32 Moo 5, Laemchabang Industrial Estate, Tungsukhla, Sriracha, Chonburi 20230 Tel: (662) 679-6565 Fax: (662) 287-3153
Registered capital	Baht 50,000,000 (As at March 5, 2014)
Paid-up capital	Baht 50,000,000 (As at March 5, 2014)
Par value	Baht 10 per share

## **TICON Logistics Park Company Limited**

Type of business	Developing ready-built warehouses for rent
Shareholder	TICON Industrial Connection Public Co., Ltd. holds 100 percent.
Head office address	Suite 1308, 13/1 <sup>th</sup> Floor, Sathorn City Tower, 175 South Sathorn Road, Thungmahamek, Sathorn, Bangkok, 10120 Tel: (662) 679-6565 Fax: (662) 287-3153
Website	<a href="http://www.ticonlogistics.com">www.ticonlogistics.com</a>
E-mail address	<a href="mailto:logistics@ticon.co.th">logistics@ticon.co.th</a>
Registered capital	Baht 2,500,000,000 (As at March 5, 2014)
Paid-up capital	Baht 2,500,000,000 (As at March 5, 2014)
Par value	Baht 10 per share

## **Shanghai TICON Investment Management Company Limited**

Type of business	Fund management
Shareholder	TICON Industrial Connection Public Co., Ltd. holds 100 percent.
Head office address	Rm. A512, Building 4, No.3288, Jinhai Road, Pudong New Area, Shanghai, China
Registered capital	USD 2,800,000 (As at March 5, 2014)
Paid-up capital	USD 2,800,000 (As at March 5, 2014)

## **TICON Property, Inc.**

Type of business	Investment in general real estates
Shareholder	TICON Industrial Connection Public Co., Ltd. holds 100 percent.
Head office address	2975 23RD ST San Francisco, CA 94110
Paid-up capital	USD 6,000,000 (As at March 5, 2014)

## **TICON Management Company Limited**

Type of business	REIT manager
Shareholder	TICON Industrial Connection Public Co., Ltd. holds 100 percent.
Head office address	Suite 1308, 13/1 <sup>th</sup> Floor, Sathorn City Tower, 175 South Sathorn Road, Thungmahamek, Sathorn, Bangkok, 10120 Tel: (662) 679-6565 Fax: (662) 287-3153
Registered capital	Baht 10,000,000 (As at March 5, 2014)
Paid-up capital	Baht 10,000,000 (As at March 5, 2014)
Par value	Baht 10 per share

## OTHER RELATED PERSONS

### Share registrar

Thailand Securities Depository Company Limited  
62 The Stock Exchange of Thailand Building,  
Rachadapisek Road, Klongtoey, Bangkok 10110  
Tel: (662) 229-2800 Fax: (662) 359-1259

### Auditor

Miss Runnapa Lertsuwankul, CPA (Thailand), Registration No. 3516  
EY Office Limited  
(Formerly known as Ernst & Young Office Limited)  
33<sup>rd</sup> Floor, Lake Rajada Office Complex  
193/136-137 New Rajadapisek Road, Klongtoey, Bangkok 10110  
Tel: (662) 264-0777 Fax: (662) 264-0789

Investors can study more information of TICON Industrial Connection Public Company Limited from form 56-1 on [www.sec.or.th](http://www.sec.or.th) or the Company website.

## OVERVIEW OF BUSINESS

### 1. VISION AND OBJECTIVE

#### 1.1 Vision

The Company's vision is to be the leading company in developing and providing rental services of industrial properties with international quality by taking into account the social and environmental impacts, as well as maximizing returns to the investors.

#### 1.2 Objective

The Company's objective is to maintain its position as the leader in providing ready-built factories and warehouses of international quality for rent, coupled with associated services, according to tenants' demand. Management with good corporate governance for the benefits of all stakeholders is also the Company's objective.

### 2. SIGNIFICANT DEVELOPMENTS

In 2013, the Company made a record new investment of over Baht 9 billion, in land acquisition and factory/warehouse development in several new strategic locations. Most investment was in the warehouse business to serve the growing demand in warehouse leasing. The Company's net warehouse leasing and net factory leasing increased by 196,357 square meters and 44,575 square meters, respectively.

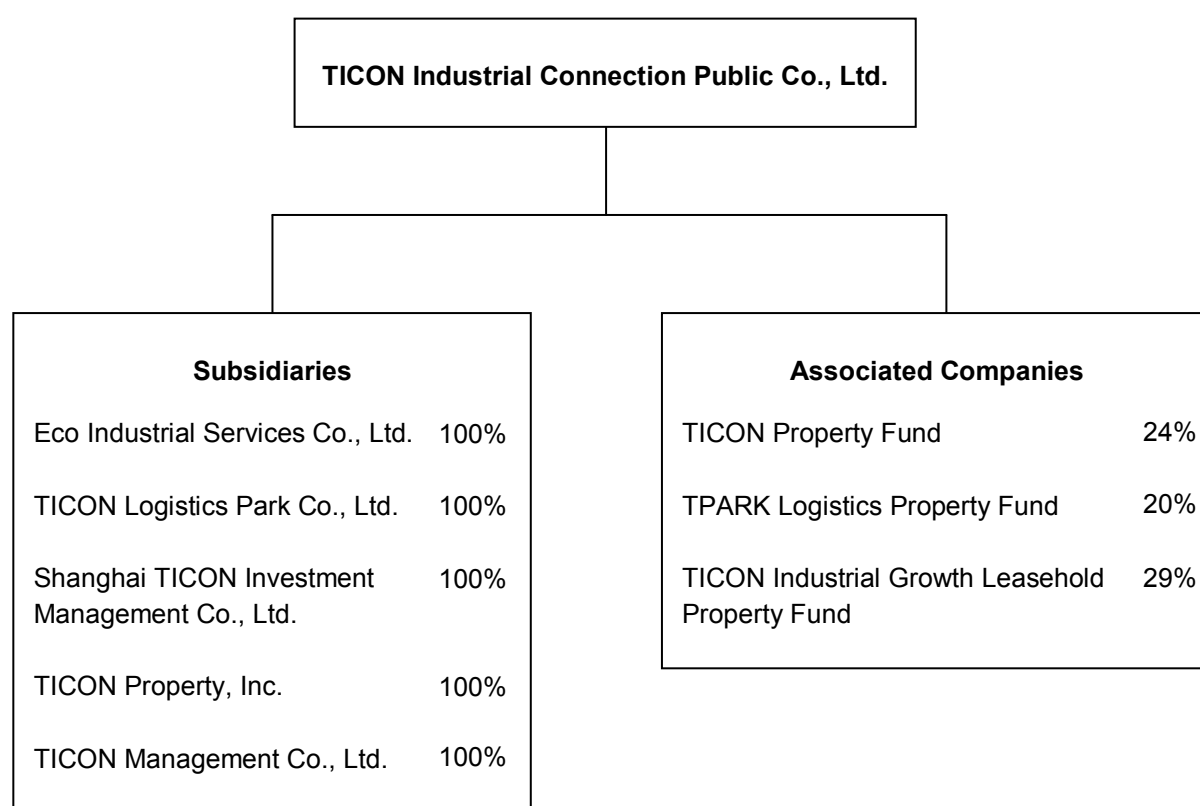
Net factory leasing rose from the previous year, due to no lease cancellation from flooding which vastly decreased overall contract termination. New leases and the average occupancy rate of factories were adversely affected by a decline in the electronics/electrical and the auto sectors, which are the major tenants of the Company. However, that was compensated for by healthy growth in the Company's warehouse leasing.

The Company's net warehouse leasing increased by 15 percent from the previous year, in line with improvement in demand from the general logistics sector and the retail sector, as well as tenant demand for diversification of their locations. As a result, income from warehouse leasing has become a bigger portion of the Company's total revenues, as compared with the previous year.



Last year, the Company launched a new property fund, named “TICON Industrial Growth Leasehold Property Fund” (“TGROWTH”), instead of setting up a Real Estate Investment Trust (“REIT”), owing to the restriction of some related regulations and the time constraint. The Company sold/leased factories and warehouses for the first time to TGROWTH, with a value of Baht 5,515 million in total. The Company has also invested in the fund. In addition, the Company set up a new wholly-owned subsidiary, named TICON Management Co., Ltd. (“TMAN”), to be a REIT manager. TMAN is expected to operate as soon as the establishment of the REIT is completed.

### 3. SHAREHOLDING STRUCTURE OF TICON GROUP AS OF 31 DECEMBER 2013



TICON has 5 subsidiaries named Eco Industrial Services Co., Ltd. (“EISCO”), TICON Logistics Park Co., Ltd. (“TPARK”), Shanghai TICON Investment Management Company Limited, TICON Property, Inc. and TICON Management Co., Ltd. TICON and EISCO are providers of ready-built factories while TPARK provides logistics warehouses. Shanghai TICON Investment Management Co., Ltd. and TICON Property, Inc. were established for exploring new business in China and in the United States of America, respectively. TICON Management Co., Ltd. was established for being a REIT Manager. Details of the **Subsidiaries** are as follows.

## 1. **Eco Industrial Services Co., Ltd. ("EISCO")**

TICON holds a 100 percent in EISCO. The objective of establishing EISCO was to benefit from the Board of Investment's Privileges in relation to developing a phase of ready-built factory buildings on Laemchabang Industrial Estate, in a similar manner to TICON itself. EISCO commenced its operation in April 2001 and was granted BOI Privileges in August 2001.

As of March 5, 2014, EISCO had registered and paid-up capital of Baht 50 million. In 2003, EISCO was granted ISO 9001:2000 certification.

## 2. **TICON Logistics Park Co., Ltd. ("TPARK")**

TICON has a 100 percent stake in TPARK. TPARK was established in August 2005 for the purpose of developing logistics warehouses for rent. TPARK was granted BOI Privileges for development of logistics parks at Bangna, Wangnoi, Sriracha and Laemchabang 2, as well as for development of a number of warehouses in Hemaraj Chonburi Industrial Estate (Bowin).

As of March 5, 2014, TPARK had registered and paid-up capital of Baht 2,500 million. In 2009, TPARK was granted ISO 9001:2008 certification.

## 3. **Shanghai TICON Investment Management Company Limited ("SH-TICON")**

TICON has a 100 percent stake in SH-TICON. SH-TICON was registered in China in July 2010 for exploring business in relation to investment in real estates in China. Currently, it is in the process of seeking investment opportunity.

As of March 5, 2014, SH-TICON had registered capital of USD 2.8 million, and paid-up capital of USD 2.8 million.

## 4. **TICON Property, Inc.**

TICON holds a 100 percent in TICON Property, Inc.. This subsidiary was registered in the USA in January 2012, for exploring business in relation to real estate investment in the USA. Currently, it is in the process of seeking investment opportunity.

As of March 5, 2014, TICON Property, Inc. had paid-up capital of USD 6 million.

## 5. TICON Management Company Limited (“TMAN”)

TICON holds a 100 percent in TMAN. TMAN was established in May 2013 for the purpose of being a REIT Manager. Presently, TMAN is in the process of applying for the SEC’s approval to be a REIT Manager.

As of March 5, 2014, TMAN had registered and paid-up capital of Baht 10 million.

TICON has also invested in **Associated Companies**, TICON Property Fund, TPARK Logistics Property Fund and TICON Industrial Growth Leasehold Property Fund, details of which are as follows.

### TICON Property Fund (“TFUND”)

TFUND, a listed mutual fund on the Stock Exchange of Thailand, was established in April 2005 for the purpose of investment in industrial properties owned by TICON and/or other developers. BBL Asset Management Company Limited is the fund manager.

Presently, TFUND has capital from the unit holders of Baht 12,392 million. TFUND raised capital for the first time in 2005, following with another six rounds of capital raising during 2006 - 2012. The proceeds were used to acquire 237 factories (usable area totaling 563,800 square meters) and 8 warehouses (usable area totaling 19,600 square meters) from TICON and TPARK, respectively. TICON and TPARK are not subject to any obligation to buy back these properties.

TICON and TPARK were selected as the property managers for all of the factories and warehouses sold to TFUND, and are entitled to property management fees from TFUND.

TFUND has a policy to pay dividends of no less than 90 percent of net profit, which is not subject to corporate income tax. The payment will be made at least twice a year. As at December 31, 2013, the NAV of TFUND was Baht 10.9737 per unit.

At the end of December 2013, TICON held 23.63 percent of TFUND’s total issued units.

### TPARK Logistics Property Fund (“TLOGIS”)

TLOGIS, a listed mutual fund on the Stock Exchange of Thailand, was established in December 2009 for the purpose of investment in industrial properties owned by TICON/TPARK and/or other developers. As well as TFUND, BBL Asset Management is the fund manager of TLOGIS.

Presently, TLOGIS has capital from the unit holders of Baht 4,647 million. TLOGIS raised capital for the first time in 2009, following with another two rounds of capital raising in 2011-2012. The proceeds were used to acquire 63 warehouses (usable area totaling 243,625 square meters) from TPARK. Some of the fund's income, amounting to Baht 187.5 million per year, has been guaranteed by TICON until December 31, 2016. TPARK are not subject to any obligation to buy back these properties.

TICON and TPARK were selected as the property managers for TLOGIS's properties, and are entitled to property management fees from TLOGIS.

TLOGIS has a policy to pay dividends of no less than 90 percent of its net profit, which is not subject to corporate income tax. The payment will be made at least twice a year. As at December 31, 2013, the NAV of TLOGIS was Baht 11.3202 per unit.

At the end of December 2013, TICON held a 20.04 percent of TLOGIS's total issued units.

#### **TICON Industrial Growth Leasehold Property Fund ("TGROWTH")**

TGROWTH, a listed leasehold mutual fund on the Stock Exchange of Thailand, was established in December 2013 for the purpose of investment in industrial properties owned by TICON/TPARK and/or other developers. SCB Asset Management Company Limited is the fund manager of TGROWTH.

Presently, TGROWTH has capital from the unit holders of Baht 5,550 million. TGROWTH raised capital for the first time in 2013. The proceeds were used to acquire 38 factories (usable area totaling 104,225 square meters) and 50 warehouses (usable area totaling 182,095 square meters) from TICON and TPARK, respectively. TICON and TPARK are not subject to any obligation to buy back these properties.

TICON and TPARK were selected as the property managers for TGROWTH's properties, and are entitled to property management fees from TGROWTH.

TGROWTH has a policy to pay dividends of no less than 90 percent of its net profit, which is not subject to corporate income tax. The payment will be made at least twice a year. As at December 31, 2013, the NAV of TGROWTH was Baht 10.0488 per unit.

At the end of December 2013, TICON held a 28.52 percent of TGROWTH's total issued units.



The sales of properties to TFUND, TLOGIS and TGROWTH provide another source of fund for the Company's business expansion, in addition to funds from operating activities and various credit facilities. Decisions as to whether to sell properties to TFUND, TLOGIS or TGROWTH will be made by considering relevant factors periodically, in order to maximize shareholder value. The Company plans to raise funds through TFUND, TLOGIS and TGROWTH periodically. This will help provide TICON with choices in managing its capital structure.

TICON has invested in a **Related Company**, Bangkok Club Co., Ltd., amounting to Baht 256,500 in which TICON holds 0.11 percent stake, for the purpose of using the club's facilities.

## NATURE OF BUSINESS

### 1. BUSINESS OVERVIEW

The Company's business is to develop factories and logistics warehouses for rent in industrial estates, industrial park, industrial zone, industrial promotion zone and other strategic locations in Thailand. The factories are located on 15 locations, as follows:

Location	Province	Investment Promotion Zone
Bangpa-In Industrial Estate	Ayudhya	BOI Zone 2
Hi-Tech Industrial Estate	Ayudhya	BOI Zone 2
Rojana Industrial Park-Ayudhya	Ayudhya	BOI Zone 2
Amata Nakorn Industrial Estate	Chonburi	BOI Zone 2
Laemchabang Industrial Estate	Chonburi	BOI Zone 3*
Hemaraj Chonburi Industrial Estate	Chonburi	BOI Zone 2
Pinthong Industrial Estate	Chonburi	BOI Zone 2
Amata City Industrial Estate	Rayong	BOI Zone 3*
Bangpoo Industrial Estate	Samutprakarn	BOI Zone 1
Asia Industrial Estate	Samutprakarn	BOI Zone 1
Navanakorn Industrial Promotion Zone	Pathumthani	BOI Zone 1
Ladkrabang Industrial Estate	Bangkok	BOI Zone 1
Rojana Industrial Park-Rayong	Rayong	BOI Zone 3*
Kabinburi Industrial Zone	Prachinburi	BOI Zone 3
Rojana Industrial Park-Prachinburi	Prachinburi	BOI Zone 3

\* Conveys Zone 3 benefits to companies established on these estates which have applied for benefits from BOI prior to December 31, 2014, otherwise Zone 2 benefits are to be applied.

The warehouses are located on 29 locations, as shown below.

Location	Province	Investment Promotion Zone
TPARK Bangna	Chachoengsao	BOI Zone 1
TPARK Laemchabang (2 Locations)	Chonburi	BOI Zone 2
TPARK Wangnoi (3 Locations)	Ayudhya	BOI Zone 2
TPARK Rojana	Ayudhya	BOI Zone 2
TPARK Amata Nakorn	Chonburi	BOI Zone 2
TPARK Ladkrabang	Bangkok	BOI Zone 1
TPARK Eastern Seaboard	Rayong	BOI Zone 2
TPARK Eastern Seaboard (5 Locations)	Chonburi	BOI Zone 2

Location	Province	Investment Promotion Zone
TPARK Sriracha	Chonburi	BOI Zone 2
TPARK Bowin	Chonburi	BOI Zone 2
TPARK Phan Thong (3 Locations)	Chonburi	BOI Zone 2
TPARK Bangpakong	Chachoengsao	BOI Zone 2
TPARK Bangplee (5 Locations)	Samutprakan	BOI Zone 1
TPARK Rojana Prachinburi	Prachinburi	BOI Zone 3
TPARK Khonkaen	Khonkaen	BOI Zone 3
TPARK Surat Thani	Surat Thani	BOI Zone 3

## 2. REVENUE STRUCTURE

Presently, income from sales of properties to associated companies has become the biggest portion of total revenues due to substantial sales of factories/warehouses to a property fund each year. However, since the Company's main business is to provide factories/warehouses for rent, the rental and service income still play an important role.

Both incomes combined contributed approximately 80-90 percent of the Company's total revenues. The Company also has other sources of income which are of portions varying each year. Please see the analysis of change in revenue structure in "Management discussion and analysis".

Revenue structure	2011		2012		2013	
	Baht mil.	%	Baht mil.	%	Baht mil.	%
Sales of properties	1,076.47	46.89	4,364.45	72.16	4,663.04	69.80
Rental and service income	880.23	38.34	1,053.01	17.41	1,109.69	16.61
Properties management fee from property funds	113.44	4.94	105.07	1.74	152.59	2.28
Share of profit from investments in property funds	160.80	7.01	169.22	2.80	216.57	3.24
Realised additional gains on sales of properties to property funds	3.52	0.15	35.29	0.58	154.45	2.31
Other income	61.25	2.67	321.45	5.31	384.70	5.76
<b>Total</b>	<b>2,295.71</b>	<b>100.00</b>	<b>6,048.49</b>	<b>100.00</b>	<b>6,681.04</b>	<b>100.00</b>

### 3. PRODUCTS AND SERVICES

#### 3.1 Products

##### a. Ready-built factories

TICON develops ready-built factories with international quality to serve demand from manufacturers who prefer not to own factories, in order to reduce their operating cost and risks from any possible uncertainties. TICON develops factories in various strategic locations. The factories are of a standard design to suit most manufacturing processes. With almost 90 percent non-Thai tenants, TICON also focuses on providing other services to help tenants to commence their production in Thailand.

The locations in which TICON develops factories are determined by customer demand, now and in the foreseeable future. Accessibility to ports, airports and Bangkok are very relevant in this respect, as are the BOI investment zones, as well as a good standard of estate infrastructure.

The Company has developed factories in Export Processing Zone's ("EPZ") and General Industrial Zone's ("GIZ"), following customers' demand, which will be different in each location. Demand on Laemchabang Industrial Estate, for example, being adjacent to Thailand's major deep sea port, tends to be for factories in the EPZ.

The factories developed by TICON and EISCO are all single-storey with mezzanine offices, constructed on their own fenced and landscaped sites, complete with guard house, parking area and loading area. They are of a standard design, albeit modified to suit the customers' requirements. Factory sizes range from 1,200 to 14,250 square meters, with an average size range from 2,000 to 3,000 square meters. The factories' floor loading capacities are in the range of 1 to 3 tons per square meter. The buildings are of steel portal frame construction, to give maximum usable area unobstructed by structural columns.

In addition to the ready-built factories, custom-developed factories are developed according to tenants' individual requirement, and will generally tend to be larger than ready-built factories.

Lease agreements normally have a term of 3 years. TICON offers options to renew the lease. Moreover, the Company also offers options to exchange the unit for one of a different size or location, and even options to buy the factory.



Tenants are required to pay a cash deposit equivalent to 3-6 month rent.

At the end of 2011, 2012 and 2013, TICON's factory portfolios are as follows:

	End of 2011		End of 2012		End of 2013	
	No. of factory (Unit)	Building area (Sq M.)	No. of factory (Unit)	Building area (Sq M.)	No. of factory (Unit)	Building area (Sq M.)
Leased	137	387,515	95	261,840	78	214,890
Pre-leased	6	15,900	19	51,025	8	37,300
Available	10	31,800	34	101,225	41	119,475
Under construction	15	38,245	11	24,625	14	39,300
Under site preparation	56	144,239	62	173,775	160	421,975
<b>Total</b>	<b>224</b>	<b>617,699</b>	<b>221</b>	<b>612,490</b>	<b>301</b>	<b>832,940</b>

The figures shown in the previous table are those after the sales of almost 100 percent occupied factories to TFUND and TGROWTH. The numbers of factories sold to TFUND and TGROWTH were as follows:

	2011		2012		2013	
	No. of factory (Unit)	Building area (Sq M.)	No. of factory (Unit)	Building area (Sq M.)	No. of factory (Unit)	Building area (Sq M.)
Sold to property funds	-	-	38	106,000	40	108,350

The 2013 average occupancy rate of factories decreased from that of 2012. The main reasons were the reduction of new leases and a number of vacant factories in the flood-affected areas. In addition, the Company sold almost 100 percent occupied factories to property funds, with a usable area of more than 100,000 square meters. In 2013, the decline in the Company's new factory leasing was due mainly to a slowdown in investment in the electronics/electrical sector and the auto sector. The electronics/electrical manufacturers were affected by low demand in the global market. Also, investment in the auto sector dropped because of low domestic demand after the ending of the government's first-time car buyer tax rebate program. However, the Company's net new factory leasing in 2013 still increased as compared to the previous year.

The average occupancy rates of factories during the past three years are as follows:

	2011	2012	2013
Average occupancy rate (%)	88	81	73

At the end of 2013, TICON's customers are in a variety of industries and are also varied by nationality, as indicated in the table below:

Industry	%	Country	%
1. Electronics and electrical	28.2	1. Japan	40.2
2. Auto parts	26.3	2. Europe	27.7
3. Agricultural machinery	11.4	3. Thailand	12.3
4. Food	4.2	4. Canada	7.3
5. Others (e.g. Plastic, Filter, etc.)	29.9	5. Singapore	6.7
		6. United State	4.1
		7. Others (e.g. Australia and China, etc.)	1.7
<b>Total</b>	<b>100.0</b>	<b>Total</b>	<b>100.0</b>

**Note:** The percentages were calculated based on rental and services income received in December 2013.

## b. Warehouses

Development of warehouses with international quality is undertaken by TICON Logistics Park Co., Ltd., (TPARK), one of the Company's subsidiaries.

Logistics is the essential activity for the distribution of materials, parts, finished goods and other produce. Distributors, whether they be the principal operators themselves or logistic service providers, will normally be capital-lean in their logistics operation, and will therefore prefer to lease warehouse facilities. This has created good demand for modern logistics parks and warehouses which the Company seeks to supply through TPARK.

The Company's warehouses are located in strategic locations, suitable for being a distribution center. The warehouses are designed to suit modern logistics management systems. Typical specifications are good clear heights, wide column spans, dock levelers, and high floor loading capacities.

As with factories, we offer warehouses on a built-to-suit basis, in addition to providing speculatively-developed ready-built buildings. We also offer a sale and leaseback option.

Lease agreements normally have a term of 3 years. The Company offers options to renew the lease. Tenants are required to pay a cash deposit equivalent to 3-6 month rent.

At the end of 2011, 2012 and 2013, TPARK's warehouse portfolios are as follows:

	End of 2011		End of 2012		End of 2013	
	No. of warehouse (Unit)	Building area (Sq M.)	No. of warehouse (Unit)	Building area (Sq M.)	No. of warehouse (Unit)	Building area (Sq M.)
Leased	52	205,352	62	257,108	33	153,873
Pre-leased	4	33,481	11	38,670	14	155,999
Available	1	8,450	34	86,713	62	187,963
Under construction	49	157,186	19	159,082	31	176,604
Under site preparation	96	769,976	94	838,904	207	1,537,082
<b>Total</b>	<b>202</b>	<b>1,174,445</b>	<b>220</b>	<b>1,380,477</b>	<b>347</b>	<b>2,211,521</b>

The figures shown in the previous table are those after the sales of almost 100 percent occupied warehouses to TFUND/TLOGIS/TGROWTH. The numbers of warehouses sold to property funds were as follows:

	2011		2012		2013	
	No. of warehouse (Unit)	Building area (Sq M.)	No. of warehouse (Unit)	Building area (Sq M.)	No. of warehouse (Unit)	Building area (Sq M.)
Sold to property funds	13	55,230	36	117,664	50	182,095

In 2013, the average occupancy rate decreased from that of 2012, due mainly to the expansion of the Company's new warehouse locations. Therefore, the available warehouses increased accordingly. In addition, the Company sold occupied warehouses to a property fund, with a usable area of 182,095 square meters, rising from 117,664 square meters in 2012. Nevertheless, the net new lease of warehouses in 2013 still increased from the previous year. This was due mainly to an improvement in demand for warehouses, particularly from general logistic providers and retailers/wholesalers.

The average occupancy rates of warehouses during the past three years are as follows:

	2011	2012	2013
Average occupancy rate (%)	88	89	71

At the end of 2013, TPARK's customers are in a variety of industries and are also varied by nationality, as indicated in the table below:

Industry	%	Country	%
1. General logistics	53.8	1. Japan	34.9
2. Auto parts	27.0	2. Switzerland	19.6
3. Wholesalers/Retailers	15.1	3. Thailand	15.4
4. Others ( e.g. food )	4.1	4. Netherlands	15.1
		5. United State	10.4
		6. Germany	4.6
<b>Total</b>	<b>100.0</b>	<b>Total</b>	<b>100.0</b>

**Note:** The percentages were calculated based on rental and services income received in December 2013.

### 3.2 Services

Services provided by the Company include:

- **Modifications**

With an in-house design, project management and construction capability, the Company is well positioned to assist customers in designing and carrying out modifications to the standard specification of the building to suit their particular needs.

- **Utilities Connections**

The Company assists industrial customers in securing utility services at the customers' required capacity.

- **Assistance with Consents and Permits**

The Company assists industrial customers obtaining the various statutory consents necessary to commence manufacturing operations swiftly such as operation permit. Moreover, should the customers need Work Permits for any of their expatriate staffs, the Company will obtain these for them.

- **Other Services**

In addition to the above, the Company will seek to assist the customers in any particular needs where it is able to provide assistance, such as suggesting suppliers of goods and services, and assistance in recruiting key personnel.

## 4. INDUSTRY AND COMPETITION

### 4.1 Concept, demand/supply, and competition

#### 4.1.1 Ready-built factories for rent

##### a. The concept of ready-built factories

Industrial property development in Thailand is primarily involved with developing industrial estates, providing the estate infrastructure, and selling plots of land for the industrial users to construct their own factories.

The manufacturers might either allocate their capital to build their own factories or lease in order to reduce their operating capital and risks related to any possible uncertainties. To lease factories with associated services becomes attractive for international manufacturers who want to run operation in Thailand with no ownership in properties.

##### b. Supply

The developers who provide factory buildings for sale/rent can be classified into two types which are;

- Industrial estates/parks developers who develop factory buildings on their own industrial land; and
- Other developers who develop factory buildings on land purchased or leased from the industrial land developers. The Company and its Subsidiary are this kind of developer.

##### c. Demand

Many foreign manufacturers do not want to develop their own factories, in order to reduce their project capital and increase flexibility, especially in uncertain times. Shortening product life cycles and more investor focus on return on capital have added to the appeal of renting in the eyes of modern international industry.



Thailand is a good location for manufacturing investment as a result of its central position of ASEAN. Moreover, there is a skilled labor force, and a good level of physical and regulatory infrastructure, as well as beneficial regulations. The growth of foreign direct investment in Thailand increases demands on factories for rent.

#### **d. Competition**

At the present, there are few players in ready-built factory for rent market. Besides TICON, there are Hemaraj Land and Development Public Co., Ltd., Thai Factory Development Public Co., Ltd., Amata Summit Ready Build Co., Ltd., and Pinthong Industrial Park Co., Ltd.

However, only TICON has concentrated on development of factories for rent. TICON's competitive advantages are its sole focus on providing factories and warehouses for rent, the multiple locations they can offer, the services they have developed to assist its customers. Moreover, the Company's 24 years of experience in this business and a share of approximately 54 percent share of the ready-built factory market resulted in the benefits of economies of scale.

### **4.1.2 Warehouses for rent**

#### **a. The concept of warehouses**

In Thailand, the cost of logistics management is currently high as compare with other countries, which restricts the country's competitiveness. Improving the effectiveness of logistics management will result in lower supply chain costs, which eventually reduces prices of goods and services. In addition, an efficient logistics infrastructure will encourage foreign direct investment.

Warehouses play an important role in the logistics system. International quality warehouses will improve efficiency of the entire logistics system.

There has been substantial increase in the number of logistics service providers. The logistics service providers, who have specific areas of expertise, have played important roles in logistics management business. Many producers, wholesalers and retailers, and manufacturers tend to outsource their logistics management instead of setting up their own related functions.

However, the principal businesses and the logistics service providers normally have a policy not to own their warehouses. Seeking returns on real estate is not their main business operation. The logistics service providers tend to limit their investment to essential assets which enhance the company's competitiveness, including vehicles, equipment and information technology systems, as well as training personnel. Investment in real estate, especially without expertise, incurs fixed costs for a long time which will increase risk in the event that their customers terminate contracts. For these reasons, the logistics management industry looks to the real estate sector to provide logistics warehouses for rent.

## **b. Supply**

Presently, logistics warehouses are mainly concentrated outside Bangkok and surrounding areas. Many of the warehouses are located on the Asia Highway, Bangna-Trad Road and Rama II Road. Most of these warehouses were not designed for modern distribution systems. In addition, proper infrastructure has not been provided to support logistics management operation. Besides, many of the warehouses are located in residential and mixed use areas which cause problems in terms of safety, congestion and pollution.

## **c. Demand**

Demand for logistics warehouses are from the following sources.

1. Logistics service providers, most of which are multinational companies which have expertise in logistics management with software and modern management systems. The logistics service providers tend to lease warehouses rather than owning them.
2. Operators who are involved in international distribution centers, international procurement offices and modern distribution centers.
3. Manufacturers and major retailers who need distribution centers for the distribution of their goods to their customers in Bangkok and other regions
4. Exporters and importers who are interested in warehouses located near an airport or seaport, especially in a duty free zone

5. Logistics supporting businesses including transportation service provider, packaging service providers, value added creation providers (quality inspection, label sticking, maintenance, assembly/packing), truck maintenance providers, providers of temporary workers and carriers.

#### **d. Competition**

Presently, there are 2 main competitors who develop warehouses in the same quality as TICON's, which are WHA Corporation Public Co., Ltd. and Hemaraj Land and Development Public Co., Ltd. However, TICON has advantages over these two competitors since its warehouses are much more diversified in locations.

### **4.2 Competition strategies for factories and warehouses**

- **Market positioning**

According to a survey by CB Richard Ellis (Thailand) Co., Ltd., at the end of Q3/2013, TICON had a total market share of 53.6 percent of the ready-built factories for rent market under management (of which 30.4 percent were TFUND's properties).

TICON has positioned itself as the major provider of factories for rent in Thailand. It is the Company's intention to retain and enhance this position by increasing the scale of activities, thereby increasing the customer base, and benefiting from further economies of scale and increasing returns.

The intended market position for the Company's high quality logistics warehouses for rent is the same as for ready-built factories for rent, which is to be the major provider.

- **Target market**

The target market for leased factory is component suppliers to large end product manufacturers. However, the Company also seeks to custom-build for larger manufacturers.

The target markets for leased warehouses are producers, wholesalers, retailers and manufacturers, together with their logistic service providers.

- **Pricing**

The level of rents the Company charges are more related to the cost of providing the facilities than the rents competitors charge. The Company will, however, continue to monitor the market to ensure that its rents are competitive, and that the quality of its factories and services provided are superior.

- **Promotion**

The Company's principal marketing activities involve direct approaches to potential customers, and regular contact with a number of intermediaries, such as major manufacturers (to accommodate their suppliers), Thai government agencies, foreign embassies, Trade Missions, Chambers of Commerce, industrial estate developers, real estate brokers and other intermediaries.

Marketing material includes the production of brochures, press advertising, an internet website, signboards on all construction sites, billboards at expressway locations, and selective mailing.

More proactive measures, such as participation in seminars, exhibitions and other relevant meetings, both domestically and overseas, take place from time to time when appropriate.

### **4.3 Industry outlook and future competition**

#### **4.3.1 Industry outlook**

There has been a growing tendency in demand for factory and warehouse leasing. This has resulted from growth in the auto sector for export to the Asia-Pacific Region, business expansion of logistics service providers and diversification to new strategic locations of major retailers. Moreover, manufacturing relocation into Asian countries, particularly in the auto sector as well as the setting up of the ASEAN Economic Community (AEC) will lead to various economic activities in the region. In addition, the manufacturers' policy not to invest in properties will help support a shift up in demands for leasing.

### 4.3.2 Competition

New competitors would have a high capital requirement, and would need considerable time to develop factories with the locational, size and type diversification comparable to the range TICON offers, as well as to develop the support services currently provided by TICON.

## 5. PRODUCTION

The Company builds its factories/warehouses on potential plots of land by its own design and construction team. With its own team, the Company has flexibility in managing construction and can control the construction cost.

The main construction materials are steel and concrete. The Company is able to procure construction materials of the same quality and price from several vendors.



## KEY RISKS

### 1. RISK RELATED TO LEASE AGREEMENT CONSIDERED AS A SHORT-TERM

With regard to the Company's lease contracts mostly of 3 years term, with options to renew, investors may be concerned about the customers' decisions on renewing the contracts.

However, once the tenants are in production in the factory, they will not tend to vacate it unless there is good reason to do so. For this reason, the normal lease renewal rate is in excess of 80 percent.

The diversification of the Company's locations, as well as the customers' nationality and type of business, helps reduce risk in relation to contract termination. Moreover, the factories/warehouses are of standard design in popular estates and leasing out factories/warehouses where leases are not renewed does not tend to be difficult.

### 2. RISK RELATED TO FACTORIES/WAREHOUSES LOCATED IN FLOOD-RISK AREA

In Q4/2011, the Company was affected by the floods in Ayudhya and Pathumthani provinces. Its factories/warehouses located in such areas were damaged, following by the Company's loss of a certain amount of rent, as well as lease agreement terminations. Besides, there are still a few replacement in those areas. Investor may be concerned that there might be a possibility of floods in the future and it may cause a number of factories available for certain periods.

TICON has insured its properties, with cover including physical damages and business interruption, to reduce impacts from the floods, if any. All the insurance premiums, which are more expensive than before, were passed through tenants. Furthermore, the Company has stopped developing more factories in those areas. In addition, concrete dikes were constructed by industrial estate/park developers in the flooded areas, and by the Company on its logistics park. The construction of dikes was already finished in late last year, and could be able to protect the properties in such areas.

With its location diversification and majority of properties in eastern Thailand, the Company is able to serve new demands, as well as demands moving from flooded area to other areas considered secure. The broadening of 2011 flood impacts has led the government to seriously improve water management. Together with the positive factors as mentioned, the Company believes that there will be a lot of demands for factories/warehouses in those areas in the near future, particularly for electronics and food industries, which need a lot of water for their productions. Besides, those areas are the strategic locations for distributing goods to the north and north-east of the country.

In Q4/2013, flooding spread through the provinces of the eastern area, including Rayong, Chonburi and Prachinburi provinces. Fortunately, there was neither severe impact nor damage to the Company's factories and warehouses. All tenants in these areas were able to operate their businesses as normal. During the floods, the Company also actively helped our tenants to protect their area and closely monitored the situation with them. Meanwhile, the tenants still have confidence in the Company's well-positioned and strategic location.

### 3. RISK RELATED TO RELIANCE ON PARTICULAR BUSINESS SECTORS AND NATIONALITIES OF TENANTS

At the end of 2013, 40 percent of the Company's factory tenants were manufacturers from Japan. 28 percent of those were in the electronics/electrical sector, while 26 percent were in the auto sector. In addition, 35 percent of the warehouse tenants were companies from Japan, and approximately 54 percent were in the general logistics sector. Hence, the Company might be affected by a slowdown of these sectors, or by direct investment from Japan.

However, the Company believes that such risk would have little impact since its tenants in the electronics/electrical sector are independent and diversified among various sub-sectors, i.e., electronics manufacturing services, electronics manufacturing for electrical appliances, hard disk drive manufacturing, electrical appliance manufacturing, etc. Moreover, the auto sector tends to have healthy growth, in line with the global economic recovery, as well as the relocation to Thailand of major car manufacturers focusing on exports. This resulted in an upsurge of demand for automotive parts. In addition, tenants in the auto sector increased to be close to those in the electronics/electrical sector. This can help reduce the risk of over-reliance on any particular business sector.

Besides risk of reliance on certain business sectors of factory leasing, the Company's warehouse tenants are mainly in general logistics sector. Nevertheless, the Company believes that this risk would also have little impact, due to the independence and diversification of their customers' products, i.e., auto parts, electrical appliances, consumer products, health and beauty products, chemical substances, etc.

As for the direct investment from Japan, Japan was the largest investor in Thailand and thereby for TICON since TICON ranks number one market share for ready-built factories. The Company foresees that among ASEAN countries, Thailand is considered top-ranking countries for direct investment due to its cost effectiveness. With these reasons, the Company is comfortable with this risk.

Moreover, the standard type of factories and warehouses can help serve the demands of various customers.

#### 4. RISK RELATED TO ABILITY TO LEASE OUT FACTORIES/WAREHOUSES IN DEVELOPMENT PLAN

At the end of 2013, the Company had 160 factories and 207 warehouses under development plan. The Company might have to carry the development cost in the event that such factories and warehouses cannot be leased out.

The Company believes that the risk can be controlled. The Company intends to maintain only 3-4 available factories/warehouses in each location. In the event that the numbers of available factories/warehouses exceeds what is required, the construction will be slowed down. With its own construction team, the Company can manage construction effectively, including speed and flexibility, to transfer workers to other active locations.

#### 5. RISK RELATED TO A DILUTION EFFECT FROM THE EXERCISE OF TICON-W6

In October, 2012, TICON offered 32,883,000 warrants to its directors and selected employees ("TICON-W6") to replace the cancelled TICON-W5. At present, 1 warrant is exercisable for 1.02997 ordinary shares, at a price of Baht 7.767 per share. As at December 31, 2013, 3,800,310 warrants remained unexercised.

If all warrant holders exercise their rights and convert such warrants into ordinary shares, the Company's Shareholders might be affected by dilutions of the share value and percentage of shareholding, as follows:

##### Before full exercise of TICON-W6 (as at December 31, 2013)

Number of paid-up shares	912,376,439	shares
Percentage of shareholding	100	%

##### After full exercise of TICON-W6

Number of paid-up shares	916,290,644	shares
Percentage of shareholding	99.57	%
Dilution of shareholding	0.43	%

## 6. RISK RELATED TO THE ADJUSTMENT OF THE EXERCISE PRICE AND EXERCISE RATIO OF TICON-W6

In the event that, in the future, the Company offers the existing Shareholders and/or the general public any new securities which give rights to the holders to purchase or convert such securities into the Company's ordinary shares, the adjustment of the exercise price and exercise ratio of TICON-W6, in accordance with the conditions mentioned in the Company's prospectus, might not completely compensate for lower benefits of the warrant holders. Such lower benefits may occur because the adjustment formula is concerned only with the intrinsic value of the warrants while the time value has not been taken into account.

## SHAREHOLDING STRUCTURE

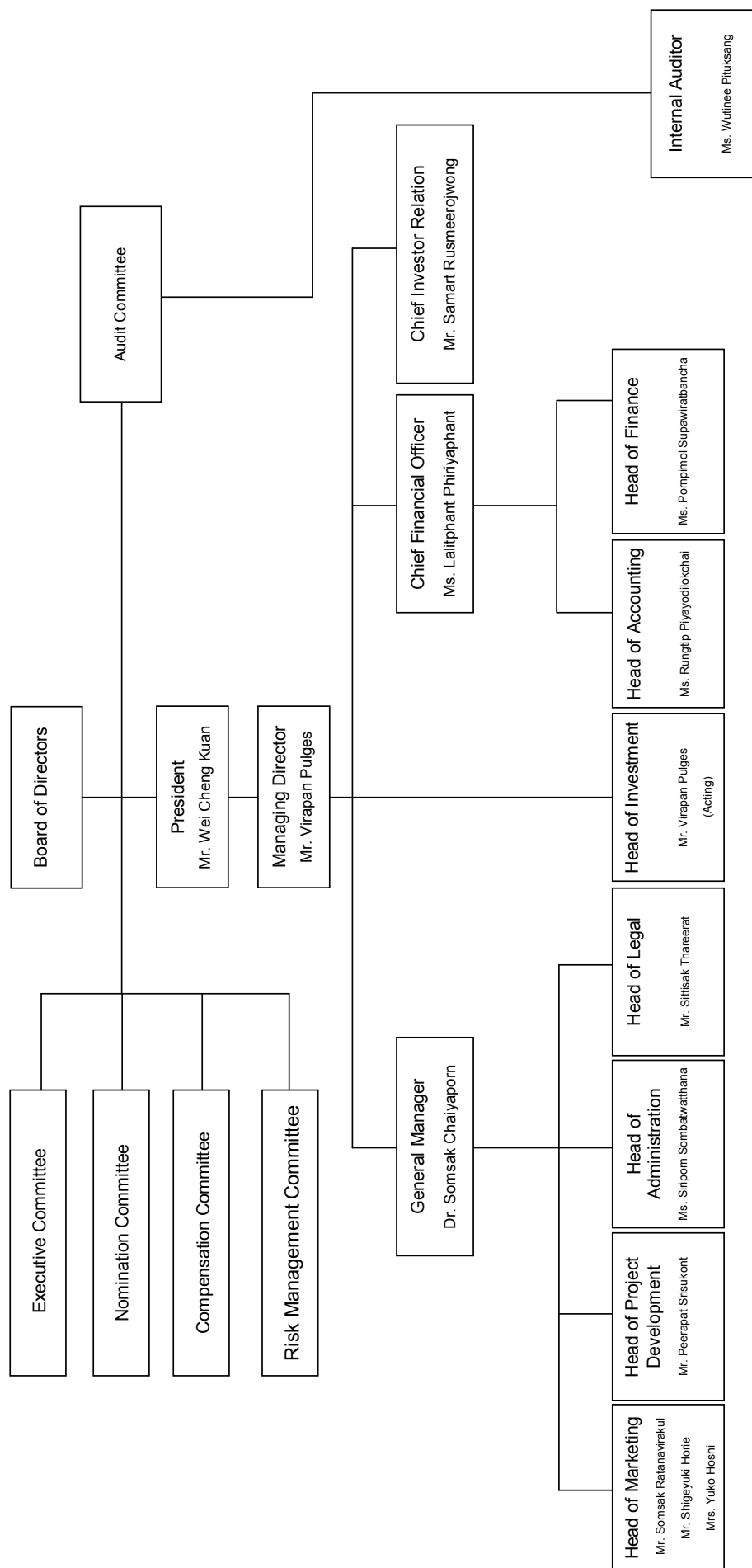
Shareholders	As of March 14, 2014	
	No. of shares	%
<b>1. Rojana Industrial Park Public Co., Ltd.</b>	<b>187,578,756</b>	<b>20.56</b>
<b>2. City Realty Group</b>		
City Villa Co., Ltd.	32,140,125	3.52
Mrs. Siriya Sophonpanich	9,548,938	1.05
City Realty Co., Ltd.	2,152,237	0.24
Mr. Chali Sophonpanich	20,644,925	2.26
	<b>64,486,225</b>	<b>7.07</b>
<b>3. Directors/Management/Related persons</b>		
Mrs. Yupadee Kuan (Director)	32,388,000	3.55
Miss Siriporn Sombatwatthana (Head of Administration) and spouse	16,141,600	1.77
Mr. Virapan Pulges (Managing Director) and spouse	11,073,715	1.22
Mr. Threekwan Bunnag (Director and Audit Committee's member) and spouse	1,186,969	0.13
Mr. David Desmond Tarrant (Director and Chairman of the Audit Committee)	515,912	0.06
Miss Lalitphant Phiriyaphant (Chief Financial Officer and Company Secretary)	185,432	0.02
Dr. Somsak Chiyaporn (General Manager)	101,746	0.01
Miss Pornpimol Supawiratbancha (Head of Finance)	40,890	0.00
Mr. Peerapat Srisukont (Head of Project Development)	20,000	0.00
Mr. Somsak Ratanavirakul (Head of Marketing 1)	12,011	0.00
Mrs. Yuko Hoshi (Head of Marketing 3)	78	0.00
Mrs. Malinee Horie (Head of Marketing 2's spouse)	7	0.00
	<b>61,666,360</b>	<b>6.76</b>
<b>4. Thai N.V.D.R. Limited</b>	<b>56,279,545</b>	<b>6.17</b>
<b>5. Mr. Jatupon Kriangchaikijkul</b>	<b>37,158,000</b>	<b>4.07</b>
<b>6. Nortrust Nominees Limited Group</b>	<b>35,890,062</b>	<b>3.93</b>
<b>7. Mr. Pracha Kijworametha</b>	<b>32,589,903</b>	<b>3.57</b>
<b>8. State Street Bank Europe Limited</b>	<b>26,136,259</b>	<b>2.87</b>
<b>9. Mrs. Suchada Leesawattrakul</b>	<b>24,577,475</b>	<b>2.69</b>
<b>10. Chase Nominees Limited Group</b>	<b>18,257,004</b>	<b>2.00</b>
<b>11. Others</b>	<b>367,776,443</b>	<b>40.31</b>
<b>Total</b>	<b>912,396,032</b>	<b>100.00</b>

The Company has a policy of paying cash dividend of not less than 40 percent of net profit after taxation; however, whether the Company will pay dividends and the amount thereof will depend upon the Company's results, financial condition and cash requirements and other relevant factors. At the present there is no dividend payments restriction under loan agreement between the Company and financial institutions.



## MANAGEMENT

### 1. MANAGEMENT STRUCTURE AS OF 31 DECEMBER 2013



The Company has one Board of Directors and five Sub-Committees, comprising the Executive Committee, the Audit Committee, the Compensation Committee, the Nomination Committee and the Risk Management Committee.

## 2. BOARD OF DIRECTORS

As of 31 December 2013, the Company's Board of Directors consists of nine members as follows:

1.	Mr. Chali Sophonpanich	Chairman of the Board
2.	Mr. Jirapongs Vinichbutr	Director
3.	Mr. Chai Vinichbutr	Director
4.	Mr. Wei Cheng Kuan	President
5.	Mrs. Yupadee Kuan*	Director
6.	Mr. Virapan Pulges	Managing Director
7.	Mr. David Desmond Tarrant	Chairman of the Audit Committee
8.	Mr. Chatchaval Jiaravanon	Audit Committee's member
9.	Mr. Threekwan Bunnag	Audit Committee's member

\* On 19 April 2013, Mrs. Yupadee Kuan was appointed as a new director.

The authorized directors are Mr. Chali Sophonpanich, Mr. Jirapongs Vinichbutr, Mr. Chai Vinichbutr, Mr. Wei Cheng Kuan and Mr. Virapan Pulges, any two out of five may sign documents with the Company's seal affixed.

Mr. Chali Sophonpanich represents City Realty Group, and Mr. Jirapongs Vinichbutr and Mr. Chai Vinichbutr represent Rojana Group.

### Roles, duties and responsibilities of the Board of Directors

1. New directors should attend orientation classes regarding business operations of the Company.
2. Conduct their duties in compliance with all laws, objectives and the Articles of Association of the Company, as well as resolutions of the shareholders' meetings with honesty and integrity and carefully safeguard the benefits of the Company to ensure fair accountability towards all shareholders.
3. Formulate policies and directions of the Company's operations, and also monitor and supervise the management team to function in accordance with such policies and regulations with efficiency and effectiveness, under the principles of Good Corporate Governance, to maximize economic value and shareholders' wealth.

4. Report the Company's performance to shareholders' meetings and via the Company's annual report.
5. Arrange effective and reliable accounting systems, financial report, internal control and internal audit systems.
6. Review the Company's Good Corporate Governance Policy constantly.
7. Ensure that the management team treats all stakeholders with ethics and equitability.
8. Independent and other external directors are capable to use their judgment with an independent opinion in determining matters such as setting out strategies, operational tactics, resource utilization, nomination of directors, including setting up performance standard of the Company. They also have to be ready to oppose any acts of other directors or the management on the issues affecting the equity of shareholders.
9. Seek professional opinions from external to make comments or give advice on the Company's operations with the Company's expense as necessary.
10. Appoint the Company Secretary to take care of the Board's and the Company's activities such as the Board of Directors' meeting and the shareholders' meeting, also assist the directors and the Company in performing their duties as required by laws and related rules and regulations from time to time. Moreover, the Company Secretary is accountable for supporting the directors and the Company in disclosing all information accurately, completely, transparently, and providing in a timely manner.
11. Directors shall refrain from securities trading during periods when they are in possession of material information not yet disclosed to the public, which might affect the share price. Directors shall also not disclose such information to outsiders. Directors are aware of the penalties regarding misuse of such information.
12. Report and update the "Report on the interest of Director and Executive" to the Company, in compliance with the Company's criteria.

### **Appointment of the Board members**

The candidates of the Board's members are nominated by the Nomination Committee. The appointment is subject to the Articles of Association, which are in compliance with the Public Limited Company Act, the terms of which are as follows:

1. In the case of appointing a Director to replace a retiring Director, or appointing an additional director, a resolution from a shareholders' meeting is required. The said appointment takes place under the following procedures:
  - a) Each shareholder has one vote per share
  - b) Each shareholder may exercise his/her voting right pursuant to a) to elect one or more candidates as Director(s) but may not allot his/her votes to any such candidate unequally.
  - c) Candidates who receive the largest numbers of votes shall be elected as Directors until the vacancies are filled. Where there is a tie among the candidates, the chairman of the meeting is entitled to a casting vote.
2. Where a Director vacates office for reasons other than retirement, the Board of Directors will appoint a qualified person as a replacing director.

### 3. EXECUTIVE COMMITTEE

As of 31 December 2013, the Company's Executive Committee consists of five members, as follows:

- |                             |   |
|-----------------------------|---|
| 1. Mr. Wei Cheng Kuan       | Chairman of the Committee                         |
| 2. Mr. Virapan Pulges       | Vice Chairman of the Committee                    |
| 3. Mr. Chali Sophonpanich   | Committee's member                                |
| 4. Mr. Jirapongs Vinichbutr | Committee's member                                |
| 5. Dr. Somsak Chaiyaporn    | Committee's member and Secretary to the Committee |

#### **Roles, duties and responsibilities of the Executive Committee**

1. Undertake action assigned by the Board.
2. Strictly comply with laws, objectives, rules and regulations of the Company.

### 4. AUDIT COMMITTEE

As of 31 December 2013, the Company's Audit Committee consists of three members, as follows:

- |                              |  |
|------------------------------|--|
| 1. Mr. David Desmond Tarrant | Chairman of the Committee/Independent Director |
| 2. Mr. Chatchaval Jiaravanon | Committee's member/Independent Director        |
| 3. Mr. Threekwan Bunnag      | Committee's member/Independent Director        |

All members of the Audit Committee have knowledge and experience in accounting to review the financial report process to ensure the reliability.

### **Roles, duties and responsibilities of the Audit Committee**

1. Review the accuracy and adequacy of the Company's financial reports.
2. Ensure that the Company has suitable and efficient internal control system, internal audit and the risk management system.
3. Consider, select, nominate and evaluate the Internal Audit Manager as well as an independence of the Internal Audit Department.
4. Review the Company's compliance with the Securities and Exchange Act, the Stock Exchange of Thailand's regulations, and the laws relating to the Company's business.
5. Consider the connected transactions, or the transactions that may lead to conflicts of interests, to ensure that they are in compliance with the Stock Exchange of Thailand's rules and regulations together with the laws relating to the Company's business.
6. Review and consider with the management on the defects that have been found out and on the responses from the management.
7. Empower on the auditing and investigating all related party under the authorization of the Audit Committee and is authorized in hiring an expert so as to audit and investigate in compliance with the Company's regulations.
8. Prepare an annual disclosure report on the corporate governance of the Audit Committee to be included in the annual report, affixing the signature of the Chairman of the Audit Committee. Minimum contents to be disclosed in the report are the Audit Committee's performing, number of attending the meeting, attendants and overall opinions of the Committee.
9. Consider, select, nominate and recommend remuneration of the Company's external auditor. The Audit Committee shall meet privately with the external auditor at least once a year, without the management team being present.
10. Consider scopes of work and plans of the external auditor and the internal audit department in order to ensure cooperation of both parties and ensure there are reductive double operations of financial auditing.



11. Approve charter, work plans, budget and manpower of the Internal Audit Department.
12. Review the efficiency and effectiveness of Information Technology System in relation to the Internal Control and the Risk Management.
13. If the Audit Committee find the issue that may affect the financial and performance of the Company, the Audit Committee shall report to the Board to improve it in due course.
14. Perform any other acts assigned by the Board, with the approval of the Audit Committee.

### **Composition of the Audit Committee**

1. The Audit Committee shall be comprised of at least 3 independent members of the Board, that all non-executive.
2. At least 1 member of the Audit Committee must have knowledge, understanding or experience in accounting or finance to review the financial report process to ensure the reliability.

### **Criteria for the appointment and nomination of the Audit Committee members**

The Audit Committee is nominated by the Nomination Committee and shall be appointed by the Board of Directors or shareholders. A committee member must possess full qualifications according to the criteria as follows:

1. Holding shares not more than 1 percent of number of voting stock of the Company, subsidiary companies, associated companies or related company, which shall be inclusive of the shares held by related persons.
2. Persons who have benefits or financial and/or managerial interests in the Company and/or its related companies, either at present or during the past two years, shall be prohibited to hold the position of independent director of the Company. Such prohibited relationships include:
  - Executive director, employee, worker, advisor who receives regular salary or controlling person;
  - Professional advisors such as auditor, legal advisor, financial advisor or appraiser; and
  - Persons with business relationships through such means as normal business transaction, acquisition or disposition of assets, and offering or receipt of financial assistance, etc.

3. In case of concurrently holding the position of independent director at other companies in the same group, the Company shall disclose such information and compensations received from such other companies.
4. Audit Committees are prohibited to be any types of directors at any other listed companies in the same group.
5. Being a director who is not a related person or close relative of any management member or major shareholder of the Company.
6. Being a director whom is not appointed as a representative to safeguard interests of the Company's directors, major shareholders or shareholders who are related to the Company's major shareholders.
7. Being capable of performing duties, giving opinions or reporting the results of performance of work according to the duties delegated by the Board frees and clears from the control of the management or the major shareholders of the Company including related persons or close relatives of the said persons.

Related persons include persons who have relationship with or are related to the Company to the extent that they cannot perform their duties independently or in a flexible manner such as supplier, customer, creditor, debtor or person who has business relation that is material etc.

## 5. COMPENSATION COMMITTEE

As of 31 December 2013, the Company's Compensation Committee consists of three members, as follows:

- |                              |                           |
|------------------------------|---------------------------|
| 1. Mr. Chali Sophonpanich    | Chairman of the Committee |
| 2. Mr. David Desmond Tarrant | Committee's member        |
| 3. Mr. Jirapongs Vinichbutr  | Committee's member        |

### Roles, duties and responsibilities of the Compensation Committee

1. Propose policy and criteria for compensation of the Board of Directors' and Sub-committees' members including meeting allowance, bonus, welfare and other compensation in both cash and non-cash terms, by taking into consideration similar compensation in the industry.
2. Determine cash and non-cash welfare and other benefits for the Company's employees.

## 6. NOMINATION COMMITTEE

As of 31 December 2013, the Company's Nomination Committee consists of four members, as follows:

- |    |                           |                                |
|----|---------------------------|--------------------------------|
| 1. | Mr. Chali Sophonpanich    | Chairman of the Committee      |
| 2. | Mr. Jirapongs Vinichbutr  | Vice Chairman of the Committee |
| 3. | Mr. David Desmond Tarrant | Committee's member             |
| 4. | Mr. Threekwan Bunnag      | Committee's member             |

### Roles, duties and responsibilities of the Nomination Committee

- Set criteria and methodology for selection of the Board's and Sub-committees' members as well as President and Managing Director, for the purpose of transparency.
- Nominate members of the Board and Committees for the Board and/or shareholders to appoint.
- Recruit and appoint those nominees to be President and Managing Director.

## 7. RISK MANAGEMENT COMMITTEE

As of 31 December 2013, the Company's Risk Management Committee consists of six members, as follows:

- |    |                              |   |
|----|------------------------------|---|
| 1. | Mr. Threekwan Bunnag         | Chairman of the Committee                         |
| 2. | Mr. Virapan Pulges           | Committee's member                                |
| 3. | Dr. Somsak Chaiyaporn        | Committee's member                                |
| 4. | Mr. Patan Somburanasin       | Committee's member                                |
| 5. | Miss Lalitphant Phiriyaphant | Committee's member                                |
| 6. | Mr. Peerapat Srisukont       | Committee's member and Secretary to the Committee |

### Roles, duties and responsibilities of the Risk Management Committee

- Consider risk management policy and procedures in all areas, e.g. credit risk, market risk, operational risk, strategic risk, liquidity risk and other risks, such as regulatory risk.
- Assess the Company's risks in the areas mentioned in item 1.
- Define and review risk management tools and guidelines to ensure that they are efficient and appropriate with regard to the overall risk associated with the operation.

4. Determine and review risk limits and corrective measures.
5. Follow up with risk assessments which assume both normal operational mode and crisis situations (stress testing).
6. Evaluate the risk entailed in operating new businesses and trading new products. Furthermore, to define preventive measures to deal with the risk derived from transactions.
7. Review and improve, if needed, the Charter of the Risk Management Committee, and report the amendment to the Board of Directors.

## 8. MANAGEMENT TEAM

As of 31 December 2013, the Company's management team is as follows:

- |                                    |   |
|------------------------------------|---|
| 1. Mr. Wei Cheng Kuan              | President                                     |
| 2. Mr. Virapan Pulges              | Managing Director                             |
| 3. Dr. Somsak Chaiyaporn           | General Manager                               |
| 4. Miss Lalitphant Phiriyaphant    | Chief Financial Officer and Company Secretary |
| 5. Mr. Samart Rasmeeojwong*        | Chief Investor Relation                       |
| 6. Mr. Somsak Ratanavirakul        | Head of Marketing 1                           |
| 7. Mr. Shigeyuki Horie             | Head of Marketing 2                           |
| 8. Mrs. Yuko Hoshi                 | Head of Marketing 3                           |
| 9. Mr. Peerapat Srisukont          | Head of Project Development                   |
| 10. Miss Siriporn Sombatwatthana   | Head of Administration                        |
| 11. Mr. Sittisak Thareerat         | Head of Legal                                 |
| 12. Miss Rungtip Piyayodilokchai** | Head of Accounting                            |
| 13. Miss Pornpimol Supawiratbancha | Head of Finance                               |

\* On 4 November 2013, Mr. Samart Rasmeeojwong was appointed as Chief Investor Relation.

\*\* On 1 May 2013, Miss Rungtip Piyayodilokchai was appointed as Head of Accounting.

### Authorities and Duties of the Management

The Management is authorized to carry out tasks assigned by the Board of Directors under the rules, regulations and Articles of Association of the Company. However, any member of the Management having a material interest, directly or indirectly, or having a conflict of interests in any matter with the Company/Subsidiaries, as defined by the SEC, has no right to engage in such matter.

## 9. COMPENSATION FOR DIRECTORS AND MANAGEMENT

### Criteria for determination of Directors' compensation

The Directors' compensation has been fixed by taking into consideration the duties and responsibilities of the Directors. Furthermore, the Company's performance and similar Directors' compensation of listed companies in the industry have been taken into account as well. The compensation has been initially determined by the Compensation Committee, and proposed to shareholders for approval.

#### 9.1 Compensation in cash

In year 2013, the compensations (accrual basis) paid to Directors and Audit Committee's members are as follows:

Unit : Baht

Directors	Meeting allowance		Bonus
	Board	Audit Committee	
Mr. Chali Sophonpanich	100,000	-	2,039,000
Mr. David Desmond Tarrant	40,000	40,000	1,753,000
Mr. Jirapongs Vinichbutr	50,000	-	1,642,000
Mr. Chai Vinichbutr	50,000	-	1,642,000
Mr. Wei Cheng Kuan	-	-	-
Mrs. Yupadee Kuan*	30,000	-	1,685,000
Mr. Virapan Pulges	50,000	-	1,685,500
Mr. Threekwan Bunnag	50,000	40,000	1,320,000
Mr. Chatchaval Jiaravanon	40,000	40,000	704,000
<b>Total</b>	<b>410,000</b>	<b>120,000</b>	<b>12,470,000</b>

Note: \* On 19 April 2013, Mrs. Yupadee Kuan was appointed as a new director.

During the same period, the compensations (accrual basis) paid to the Company's Management are as follows:

	Amount (Baht)
Salary	23,480,200
Bonus	4,008,750
Provident Fund	829,992
<b>Total</b>	<b>28,318,942</b>

#### 9.2 Other compensations

In 2013, no other compensation was paid to Directors and Management.

## CORPORATE GOVERNANCE

### 1. SHAREHOLDERS TREATMENTS

The Company takes shareholders' equitable treatment, especially their rights of access to the Company's information in sufficient detail and in a timely manner. This information has been provided via the SET electronic company information disclosure system, press releases as required by the Public Limited Company Act, as well as via the Company's web site, <http://www.ticon.co.th>

Besides the disclosure of information, the Company also pays attention to the shareholders' meeting, particularly in the composition of the meeting, so as to ensure the equitable treatment of the shareholders. The Company arranges meetings by selecting a suitable date, time and place to accommodate most shareholders. Map of the meeting's venue is attached to the invitation letter. The letter contains objective and reason and the Board of Directors' opinion on each agenda item. The letter is sent to the shareholders 7 days prior to the meeting, or 14 days prior to the meeting in the event that the notice of the meeting contains a special agenda, according to the Company's Articles of Association.

All essentially relevant information is provided to the shareholders as supporting information for voting purposes. The Annual Report, containing information of the Company's performance during the previous year, is attached with the invitation letter as well. Moreover, the proxy form, containing the information of Audit Committee's member(s) being proposed as a proxy, is provided for the Shareholders with a format that helps the shareholders to choose when voting for each agenda item. The Company also attaches its Articles of Association in regard to voting requirement of the agenda with the invitation letter, together with the evidence required for attending the meeting.

Starting from 2007, the Company offers the shareholders the opportunity to propose the meeting's agenda(s) and any qualified person(s) to be director(s) in advance of the meeting. The criteria and procedures of the proposal are clearly informed on the Company's website.

In every meeting, the Board of Directors' and Audit Committee's members and Management and auditor have been represented at the meeting. The Chairman of the Board, or any person voted by the Shareholders as chairman for the meeting, presides over the meeting according to the ordered agenda. In order to create transparency, the Company also clarifies voting method and informs voting results to the Shareholders. The Shareholders are welcome to express opinions and ask questions freely. The Company provides the shareholders with clear answers.



The Board of Directors has monitored the record of the minutes of the meeting to ensure that such minutes contain a clarification of significant issues, questions, and opinions, as well as the voting required for each agenda. The minutes are finished in time, kept properly and accessible for verification and examination. The Company also records voting results in the minutes in order to promote transparency.

All the meeting related information is provided on the Company's website, both in Thai and English, including the invitation letter to be disclosed prior at least 1 month to the meeting and the minutes of the meeting which will be disclosed within 14 days after the meeting. Moreover, an audiovisual recording of the meeting is also accessible on the Company's website.

There were 5 directors attended and 3 directors absent the 2013 Annual General Meeting of Shareholders held on 19 April 2013 at 2.30 p.m. in the Grand Hall, the Bangkok Club, 28<sup>th</sup> Floor, Sathorn City Tower, 175 South Sathorn Road, Thungmahamek, Sathorn, Bangkok.

## 2. STAKEHOLDERS TREATMENTS

The Company has realized that all stakeholders, including employees, suppliers, customers, lenders, community, society, as well as competitors, all play a part in the Company's business success. As a result, the Company is very much concerned that the employees are treated equally and fairly; that products and services bought from suppliers are in accordance with normal business conditions and agreements; that customers are provided with good products and services and their information is treated as confidential; that borrowing agreements are strictly honored; that community, environment and society are responsibly treated and that only fair business practices are used in relation to competition with its competitors.

Since the employees are valuable key success factor, the Company is concerned that employees are treated equally and fairly, in provision of job opportunity, compensation, welfare, promotion, rotation, skill development and safe working environment. The Company complies with safety measures as well as provides appropriate and adequate facilities to save the employees from accidents, job-related injuries and illness. Moreover, the Company has provided recreation activities to unite and reward the employees.

With customers, the Company commits to serving their needs with more effective and efficient procedures. Also, the Company insists on fulfilling the agreements and conditions made with customers by delivering quality products and after-sales services at a fair price in a timely manner. In addition, customers' information is treated as confidential and exempted from any misuse. The Company also provides flexibility and help in the customers' difficulties.

Suppliers and/or creditors are treated equally and fairly by taking into consideration the Company's maximum benefits, as well as standing on fair return of both parties. The Company also mitigates chance that may lead to a conflict of interest and honors any commitment made. For competitors, the Company treats the competitors and competes under fair business practices, without violation and fraud on their confidence. During last year, the Company had no any dispute with competitors.

The Company has been doing business that benefits overall economy and society as well as to balance business growth and development of community, society and environment.

Stakeholders can complain to the Company about any unfair matters, via telephone or the Company's website.

### 3. BOARD OF DIRECTORS

The Company's Board of Directors consists of 9 persons, with 3 members of the Audit Committee which are independent directors. The authorities of the Chairman of the Board, the President and the Managing Director have been clearly separated so as to reduce overall individual influence.

The directors meet regularly at least once a quarter to consider the business of the Company. A notice of the meeting, containing a clear agenda, together with supporting documents, is normally sent to the directors at least 7 days prior to the meeting except when urgent, as required by the Articles of Association.

The following table shows the attendance of each director in year 2013.

	Number of attendances (5 meetings in total)
1. Mr. Chali Sophonpanich	5
2. Mr. David Desmond Tarrant	4
3. Mr. Jirapongs Vinichbutr	5
4. Mr. Chai Vinichbutr	5
5. Mr. Wei Cheng Kuan	1
6. Mrs. Yupadee Kuan*	3
7. Mr. Virapan Pulges	5
8. Mr. Threekwan Bunnag	5
9. Mr. Chatchaval Jiaravanon	4

Note: \* On 19 April 2013, Mrs. Yupadee Kuan was appointed as a new director.

The Company Secretary is responsible for arranging the meetings, preparing agendas and supporting documents, circulating agendas and recording all the proceedings in the minutes with all significant details and opinions within 14 days from the meeting date, filing all relevant documents properly and providing the Board with any advice regarding rules and regulations relating to meetings' agendas.

The Board of Directors plays a significant role in the following areas so as to encourage the Company to participate in good corporate governance.

- At the beginning of the year, the Board of Directors will consider determining the Company's business strategy and operation targets as well as review the management performance for the previous year. Performance against target will be reviewed, with a view to optimizing future business policy and set appropriate targets for the following year.
- To encourage the effectiveness of the Board's operation, a review of the Boards' performance, as well as an analysis of any problems and obstacles during the previous year, will help the Board optimize its performance. The Board, therefore, conduct a self assessment every year.
- The Board of Directors will propose the basis of directors' compensation, initially proposed by the Compensation Committee, to shareholders for approval. To date, the said compensation has been approved by the shareholders, after taking into consideration the duty and responsibility of the directors. The Chairman of the Board has been paid a higher compensation. Directors who are assigned additional responsibility, such as servicing as members of the Audit Committee, have been paid appropriately more compensation.

The compensation paid to the directors and Audit Committee's members in year 2013 is disclosed in the topic of "Compensation for directors and management".

- To encourage efficiency and prudence of business management, the Board of Directors has determined duties and responsibilities of directors and management regarding financial authorization. The amount of such authorization has been determined in regard to the purchase/lease of assets, disposal/lease out of assets, as well as signing of loan agreements with financial institutions. The Company has already informed the directors, Audit Committee members, management and relevant employees concerning such authorization.
- The Board of Directors and Audit Committee have regularly monitored and acknowledged all connected transactions and transactions which might lead to any conflicts of interests. The appropriateness of the said transactions has been prudently considered on an arm's length basis, and any director who has a conflict of interest has no voting right in such

matters. In addition, the Board of Directors and Audit Committee have also overseen compliance with the relevant rules and regulations concerning connected transactions. In consideration of connected transactions, the director who might have conflict of interests is not entitled to vote.

The opinion of the Audit Committee regarding the Company's connected transactions has been disclosed in the topic of "Connected transactions".

- The Board of Directors has prepared a report indicating its responsibilities for financial statements, as appended to the auditor's report, to ensure that the Company's financial report is complete, true, reasonable and in compliance with generally accepted accounting standard and relevant regulations. The Company regularly conducts appropriate accounting policy.
- Even though the Chairman of the Board represents a major shareholder, the Company has the Audit Committee to help ensuring that the approval of any transactions is carried out correctly, transparently and fairly.
- In 2009, the Board of Directors has formulated the Corporate Governance Policy in which the relevant policy and key principal are complied for the directors and employees to follow in their performance of duties. The details of the policy have been posted on the Company's web site, <http://www.ticon.co.th>

#### 4. AUDIT COMMITTEE

The Company has three Audit Committee's members. All the members are independent, which holds the Company's ordinary share less than 1 percent, non-executive directors, and have accounting and/or finance background. The Audit Committee assists the Board in fulfilling the Company's good corporate governance, particularly in providing visions of business, commenting on financial reports and internal control systems, and monitoring the completion and compliance with relevant standards and regulations of the disclosure of financial reports. All these actions enhance the quality of the said reports.

The Audit Committee has played an important role in the following areas to enhance good corporate governance:

- The Audit Committee's meetings are arranged at least once a quarter to consider the above matters. The Company's auditor also joins the meeting in every round of consideration of the financial reports.

The following table shows the attendance of each Audit Committee's member in year 2013.

	<b>Number of attendances (4 meetings in total)</b>
1. Mr. David Desmond Tarrant	4
2. Mr. Threekwan Bunnag	4
3. Mr. Chatchaval Jiaravanon	4

Presently, the Company's internal auditor is responsible for taking care of the Audit Committee's activities, including arranging the meeting, preparing agenda and supporting document, circulating agenda, recording all the proceeding in the minutes and filing relevant document.

- The Audit Committee will report all activities which have already been carried out to the Board of Directors' Meeting at least every quarter. The Committee has policy on reporting any essential incidents to the Board immediately. In addition, the Committee has prepared a report to the shareholders in the Annual Report.
- The Company has the Audit Committee's Charter. The charter includes roles and responsibilities of the Committee. This will help enhancing the effectiveness of the Committee.

## 5. EXECUTIVE COMMITTEE

The Executive Committee has 5 members who are appointed by the Board of Directors to perform duties assigned by the Board of Directors.

## 6. COMPENSATION COMMITTEE

The Compensation Committee comprises 3 directors who are appointed by the shareholders or the Board of Directors. The Committee is responsible for monitoring the transparency and fairness of the determination of the directors' and management's compensations, as well as the provision of the employees' welfare.

The Compensations mentioned above will be determined according to market practice, the Company's performance and duties and responsibilities of the directors and management.

The following table shows the attendance of each Compensation Committee's member in year 2013.

	<b>Number of attendance (1 meeting in total)</b>
1. Mr. Chali Sophonpanich	1
2. Mr. David Desmond Tarrant	1
3. Mr. Jirapongs Vinichbutr	1

## 7. NOMINATION COMMITTEE

The Nomination Committee comprises 4 directors who are appointed by the Board of Directors. The Committee is responsible for setting criteria and methodology for selection of the Company's directors, Committees' members, President and Managing Director, for the purpose of transparency.

The following table shows the attendance of each Nomination Committee's member in year 2013.

	<b>Number of attendance (2 meeting in total)</b>
1. Mr. Chali Sophonpanich	2
2. Mr. Jirapongs Vinichbutr	2
3. Mr. David Desmond Tarrant	2
4. Mr. Threekwan Bunnag	2

## 8. RISK MANAGEMENT COMMITTEE

The Risk Management Committee was established on 13 May 2013, with reference to resolutions of the Board of Directors' Meeting No. 2/2013. The Risk Management Committee comprises 6 members who are appointed by the Board of Directors. The Committee is responsible for evaluating and monitoring all types of risks and always reviewing guidelines and tools to appropriately and efficiently deal with the overall risk associated with the Company's operations.

The following table shows the attendance of each Risk Management Committee's member in year 2013.



	<b>Number of attendance (3 meetings in total)</b>
1. Mr. Threekwan Bunnag	3
2. Mr. Virapan Pulges	3
3. Dr. Somsak Chaipayorn	3
4. Mr. Patan Somburanasin	3
5. Miss Lalitphant Phiriyaphant	3
6. Mr. Peerapat Srisukont	3

## 9. OTHER COMMITTEES

- None -

All details of the Board and Committees, including names and responsibilities, were described in the item of “Management”.

## 10. BUSINESS ETHICS

The Company has code of ethics contained in the Company’s Manual. The manual also includes guidelines in relation to inside information usage for personal benefits.

## 11. RELATED PARTIES RELATIONSHIP

As a public listed company, TICON appreciates the need to disclose full, accurate information on a timely basis. The Company has assigned management to be responsible for providing information to investors, shareholders, analysts and relevant agencies. The table below presents details of IR person.

<b>Name</b>	<b>Position</b>	<b>E-mail</b>	<b>Address</b>
Mr. Samart Rusmeerojwong	Chief Investor Relation	samart.r@ticon.co.th	Suite 1308, 13/1th Floor, Sathorn City Tower, 175 South Sathorn Road, Bangkok 10120 Tel. (662) 679-6565 Fax. (662) 287-3153

In addition to the regular meetings at TICON’s offices and site visit requested by investors/analysts, as well as analyst meetings and Press Conference, the Company also participated in Opportunity Day arranged by the Stock Exchange of Thailand each quarter, as well as local/international roadshows arranged by securities companies. The activities help investors not only to understand more on TICON but also enhance relationship with Management.

In 2013, TICON had activities for abroad, institutions and individual investors and securities analysts as follows:

Activities	Number of attendance
Opportunity Day	3
Company visit	70
Analyst meetings and Press Conference	3
Local roadshows	6
International roadshows	9

## 12. MONITORING OF INSIDER TRADING

The Company has put in place a policy and measures relating to inside information as follows:

- Directors and management have been notified of their responsibilities to report TICON shareholding, according to the Section 59 of the Securities and Exchange Act B.E. 2535 as well as the relevant penal provisions.
- Management has been notified to refrain from trading of TICON shares during periods when they are in possession of material information not yet disclosed to the public, which might affect the share price. The Company has also notified Management not to disclose such information to outsiders. Management is aware of the penalties regarding misuse of such information.
- Information which might leak out to the public will be clarified via the SET, so as to create fairness among shareholders and investors.

## 13. CORPORATE SOCIAL RESPONSIBILITY

The Company realizes the importance of the social and environmental responsibility, and of the community. Last year, it carried out public-spirited activities as follows:

- In March 2013, TICON donated computer devices and office supplies totaling 73 items, e.g. notebooks, printers, monitors, ultra power supplies, etc. to Suankaew Foundation, Nonthaburi province.
- In October 2013, TICON donated more than 400 relief bags to people who have directly suffered from flooding in Amphur Ban Sang, Prachinburi province.

- In November 2013, TICON arranged “TICON Green Life: Conservation of the Mangrove Forest” project. Management and employees participated in planting mangrove forest at Bangpu Nature Education Center, Samutprakarn province.
- In November 2013, Management and employees of TICON made donations of necessary supplies and supporting fund to Wat Si Chantharam, Samut Prakarn province and Bangpakong Home for the Disabled, Chachoengsao province, under “TICON Gives Love #2” project.
- In December 2013, TICON donated computer devices and office supplies totaling 38 items, e.g. desktop computers, printers, telephones, etc. to Suankaew Foundation, Nonthaburi province.

## INTERNAL CONTROL AND RISK MANAGEMENT

An efficient, appropriate and sufficient internal control system and risk management which have made efficient operation are the key to the Company's business. It was reasonably confident that the Company's performance was able to achieve the objective and generated benefit in long term. In addition, it was ensured that the financial information and operation were reported accurately and completely. It was also assured that the Company's operation has complied with laws, related regulations and to protect risks that may arise. The Board of Directors' Meeting No.1/2014 had reviewed the appropriateness and sufficiency of the Company's internal control systems, with reference to "Evaluation of Sufficiency of Internal Control System" issued by the SEC. The Board was of the opinion that the Company has appropriate and sufficient internal control systems, including the Company's organization and environment, risk management, management operation control, information and communication system and monitoring system.

### 1. ORGANIZAION AND ENVIRONMENT

The Company has encouraged development of conditions and factors to ensure a good internal control by setting clear and measurable business targets in the form of earnings per share. The result of each year has been compared with the target. Discussions have taken place in the event that the targets were not achieved, in order to improve the Company's performance in the following year. In addition, the management's approval authorities were clearly determined. Any member of management potentially involves in any conflict of interest will not be authorized to approve such matters. Moreover, the responsibilities for approving transactions, recording accounting matters and monitoring assets are defined separately for transparent monitoring.

The management structure embraces six committees, comprising the Board of Directors, the Executive Committee, the Audit Committee, the Compensation Committee, the Nomination Committee and the Risk Management Committee. Each committee is responsible for governing the Company's management operations to maximize the shareholders' benefit with business ethics and treating all stakeholders, based on the Company's Corporate Governance Policy.

### 2. RISK MANAGEMENT

The Company has underlined its risk management. The Board of Directors' Meeting No. 2/2013 had approved establishment of the Risk Management Committee and the Charter of the Committee. The Committee's roles and responsibilities are to formulate the policy and guidelines for risk management, to identify risk which might occur from the Company's operation, and to assess probabilities of occurrence of the risk. In addition, the Committee has duties to determine measures and tools for risk management, together with to follow up systematically and continuously for effective dealing with the changeable risk. The Committee is also responsible for assigning a group of people to implement such measures to mitigate and/or

avoid the risk, in accordance with the Company's strategies. Moreover, the Committee educates the employees on the importance of risk management.

### 3. MANAGEMENT OPERATION CONTROL

The Company's internal control measure is proper with its particularities and risks. As well, the measure covers appropriate procedures, for example, policies and work guidelines in areas of procurement, finance and general management. A clear scope of duties and authorization of management has been identified, to prevent fraud. The approval limits and authorization of each level of management, procedures of approving investment project, as well as procurement and suppliers selection processes are well specified. The management who involves in any conflict of interest is unable to approve such matters. In addition, the Company separates the responsibilities with the power to investigate each other: the duty to approve transactions, the duty to record items in accounting records and the duty to control over assets. The Company has methods to ensure that every function strictly complies with policies, work guidelines, laws and related regulations. Furthermore, the Company always reviews the policies and operating procedures to be appropriate. The Company also continually manages development, maintenance and securities of the Information Technology System.

The Company usually gathers up to date information regarding major shareholders, directors, management as well as related parties and connected persons, in order to monitor and review connected transactions or transactions that may cause the conflict of interest. To approve the connected transactions, the Company always makes a decision on the arm's length basis by concerning maximum benefits of the Company. The person who is potential for personal benefit is unable to involve in the approval process. To achieve target of investment in subsidiaries, the Company has good monitoring process and provides execution guidelines for their directors and management.

### 4. INFORMATION AND COMMUNICATION SYSTEM

The information system as well as communication of the internal and external information, especially on performance and financial reports ensure that the decisions of the Board, management, shareholders and relevant persons to be made on the basis of adequate, correct, complete, up to date, reliable and easy to understand information, for enhancing the Company's competitiveness.

The Company prepares all important information sufficient for the Board to make decisions, by sending an invitation letter which includes all necessary and analytical matters as well as adequate information for consideration of the matters at least 7 days prior to the Board of Directors' meetings. The Company Secretary is responsible for providing the Board with any advice regarding rules and regulations, managing the Board's activities, as well as communicating the Board's resolutions to the management and encourage the implementation. Moreover, the Company Secretary has served as the center for significant corporate documents, i.e. a register of directors, the notifications and the minutes of the Board of Directors' meetings and the Shareholders' meetings, for the shareholders to review and examine.

The financial reports were prepared systematically, including a filing process, an examination/audit by external auditor, and a review of the financial reports by the Audit Committee as well as the external auditors. The Company's accounting policies comply with the General Accepted Accounting Principles and are suitable for type of business the Company engaged. Before disclosure of the financial reports to the public, the Board of Directors has a review of the reports to ensure accuracy, completeness and transparency.

## 5. MONITORING SYSTEM

The Company has implemented the monitoring system in all levels of employees to ensure the performance to meet the target. In the event that there are variations from the target, the Board of Directors and the management will make corrections and determine clear guidelines in a timely manner. The assigned person is responsible for recommending the review and analysis report to the Board for appropriate remedial actions, reporting the progress of implementation and monitoring.

The Internal Audit Unit, reporting directly to the Company's Audit Committee, was set up to examine the appropriateness and effectiveness of the Company's internal control system, including the operation procedures of the Company and its subsidiaries. The Internal Audit has analyzed the examination results, summarized the significant issues and reported to the Audit Committee, for consideration with the management to determine guidance for preventive improvement. The Audit Committee always reports the examination results to the Board of Directors.

The Company's Internal Audit Manager is Ms. Wutinee Pituksang, who has served as the Company's internal auditor for 10 years. She was appointed by the Audit Committee. Any appointment, rotation or termination of the Internal Audit Manager must be approved by the Audit Committee.



## CONNECTED TRANSACTIONS

### 1. DETAILS OF THE CONNECTED TRANSACTIONS

#### 1.1 Purchase of land from related parties

##### 1.1.1 Rojana Industrial Park Public Co., Ltd.

The Company has acquired plots of land for factories/warehouses development from Rojana Industrial Park Public Co., Ltd. ("Rojana") for many years. Rojana is considered as a related party which might have a conflict of interest with TICON. Rojana is a major shareholder of TICON. Two of its directors, Mr. Jirapongs Vinichbutr and Mr. Chai Vinichbutr, are directors of TICON.

In 2013, The Company has not acquired any plot of land from Rojana.

##### 1.1.2 Asia Industrial Estate Co., Ltd.

The Company has acquired plots of land for factories development from Asia Industrial Estate Co., Ltd. ("AIE"). Mr. Chali Sophonpanich is a director of AIE and TICON.

In 2013, the Company purchased a plot of land from AIE, with the amount of Baht 42.22 million in total.

#### Opinion of the Audit Committee

The Audit Committee has considered the transactions mentioned above by taking into consideration the market prices of the land in the surrounding areas. The Committee was of the view that such transactions were necessary, reasonable and determined at market price, with terms and conditions as practiced in the market.

#### 1.2 Lease of office space from related party

The Company has leased office space from Sathorn City Tower Property Fund ("the Fund"). A major shareholder of the Fund relates to a shareholder and a director of the Company, details of which are as follows;

1. City Realty Group, a major shareholder of the Fund, held a 7.07 percent directly and indirectly in TICON, as of March 14, 2014.
2. Mr. Chali Sophonpanich is a shareholder and an authorized director of TICON as well as of the associated companies in the City Realty Group.

In 2013, the Company leased office space from the Fund, with the rental fee totaling Baht 15.01 million.

As of December 31, 2013, there was no accrued expense on this fee.

### Opinion of the Audit Committee

The Audit Committee has considered the transaction mentioned above by taking into consideration office rental in the surrounding areas. The Committee was of the view that such transaction is reasonable and determined at market price with similar services and conditions as others.

### 1.3 Use of financial services, provided by related party

The Company has used financial services provided by Bangkok Bank Public Co., Ltd. ("BBL"). A major shareholder of BBL is the Sophonpanich family which relates to Mr. Chali Sophonpanich, a shareholder and a director of TICON.

At the end of 2013, TICON had outstanding balance of the financial transactions with BBL as follows:

Transaction	Interest rate/fee (% per annum)	Outstanding balance (Million Baht)
Long-term loan	MLR minus a certain rate	707.30
Letter of Guarantee	as announced by the bank	197.22
Fixed deposit	as announced by the bank	1.49
Saving deposit	as announced by the bank	123.71

As at December 31, 2013, the Company had Baht 0.09 million accrued interest expense. However, these had already been settled in early 2014.

### Opinion of the Audit Committee

The Audit Committee has considered the transactions as mentioned and was of the opinion that such transactions were reasonable and determined at market price with proper terms and conditions as practiced in the market.

## 1.4 Doing transactions in regard to securities trading with related party

The Company has traded units of TFUND, TLOGIS and TGROWTH via Asia Plus Securities Public Co., Ltd. ("ASP"). Mr. Chali Sophonpanich is a director of ASP as well as an authorized director of TICON. In 2013, the Company purchased units of TGROWTH from ASP.

During 2013, the Company made payments for the purchase of TGROWTH units and use of securities trading services to ASP as follows:

Transaction	Price/fee	Amount (Million Baht)
Value of the purchased TGROWTH units	Agreed price	450.00
Brokerage fee	Market rate	0.53

As at December 31, 2013, there was no accrued expense in regard to these transactions.

### Opinion of the Audit Committee

The Audit Committee has considered the transactions mentioned above and was of the opinion that such transactions were necessary and determined at market price with conditions as practiced in the market.

The Company's Board of Directors' Meeting No. 4/2008, held on August 13, 2008, has authorized the management to make a decision on any connected transactions determined at market or fair price.

## 2. NECESSITY AND REASONABLENESS OF THE TRANSACTIONS

The connected transactions mentioned above were necessary and benefit the Company. They were carried out at fair and reasonable price, as stated in the opinion of the Audit Committee.

## 3. MEASURES AND PROCEDURES TO APPROVE CONNECTED TRANSACTIONS

The Audit Committee is responsible for ensuring the fairness of the connected transactions by taking into consideration the highest benefits to the Company. The Committee also monitors the disclosure of the transactions in compliance with the SET regulations. The Company has a procedure engaged in relation to the connected transactions as follows:

- The Company's Board of Directors' Meeting no. 4/2008, held on August 13, 2008, has approved in principle to authorize the management to make a decision on on-going and future connected transactions with the condition that such connected transactions are undertaken on arm's length basis. The management shall report such transactions to the Board of Directors' Meeting to be held following the transactions.
- The Audit Committee will ensure that the connected transactions be determined at market or fair price. The transactions will be approved by the Board of Directors or the shareholders (as the case may be). Director(s) or shareholder(s) who has potential conflict of interest on the transaction has no right to vote on the transactions.
- The transactions will be disclosed in compliance with relevant SEC/SET regulations, as specified in the Company's Articles of Association.
- The transactions will be disclosed in accordance with accounting standards issued by the Accountants Association.

#### **4. POTENTIAL FUTURE CONNECTED TRANSACTIONS**

Future connected transactions are expected to be carried out as long as it provides benefits to the Company.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 1. OPERATING RESULTS

### 1.1 Revenues

The Company is engaged in industrial real estate development business, which comprises the development of factories and warehouses, mainly for rent and occasionally for sale. Over the past three years, rental and related service income, as compared with total revenues, were approximately 41.3 percent, 18.0 percent and 17.6 percent, respectively. However, income from sales of properties to TFUND/TLOGIS/TGROWTH was the major portion of total revenues, representing 44.3 percent, 74.1 percent and 73.9 percent, respectively. The proceeds from sales of properties to the funds will be used for the Company's business expansion in each year.

In some periods, the Company had income from sales of factories to tenants, most of which were under options to buy as specified in the lease contracts. The sales of factories to tenants are unpredictable and depending upon tenants' decisions.

The Company had income relating to its investment in TFUND/TLOGIS/TGROWTH, including share of profit from investment, property management fee, gain on sales of investment units and realized additional gain on sales of properties.

Besides, the Company had revenues from construction services and utility income. These incomes were normally a small portion of total revenues.

#### 1.1.1 Rental and services income

Over the past three years, rental and services income were Baht 880.2 million, Baht 1,053.0 million and Baht 1,109.7 million, respectively, representing a increase 3.5 percent, 19.6 percent and 5.4 percent, respectively, due to the growing demand in factories and warehouses leasing. Cost of rental and services for such periods were Baht 248.1 million, Baht 392.3 million and Baht 261.5 million, respectively.

2012 rental and services income increased substantially, despite, the rental loss in Q1 and a number of contract terminations from the floods. This was due to the enlarged investment in Thailand, particularly in the auto sector, following the government's first-car policy. Demand for factories/warehouses has flowed to the eastern area.

2013 rental and services income still increased although the increased rate was less than the previous year due to the less-than-expected demand for factories. However, the demand for warehouses increased substantially, according to the expansion of the general logistic sector and the retail sector. In 2013, The company's net new leasing increased by 240,932 square meters in total.

### 1.1.2 Income from sales of properties to property funds

Over the past three years, the Company had income from sales of properties to TFUND, TLOGIS and TGROWTH of Baht 943.5 million, Baht 4,332.9 million and Baht 4,663.0 million, representing a 45.7 percent decrease, 359.2 percent increase and 7.6 percent increase, respectively.

2012 income from the sales increased substantially from 2011 since the sale of the factories delayed from Q4/2011 had been taken place in Q1/2012. In addition to such sale, the Company made another 2 rounds of sales to TFUND and TLOGIS in Q4/2012.

In 2013, the Company sold 2 factories to TFUND amounting to Baht 104.8 million in September, and sold/leased factories and warehouses to TGROWTH amounting to Baht 5,514.5 million in December. Such sale to TGROWTH was the highest record. However, only Baht 4,558.2 million was recorded as income from sales. The biggest proceeds from such sales were used to fund the Company's progressive business expansion in response to considerable increase in demand for leasing.

Sales of properties to TFUND and TLOGIS were made on freehold basis (true sales) for both land and factory/warehouse buildings. The Company recorded whole amount as income from sales of properties presented in the income statement. Meanwhile, sales of properties to TGROWTH in 2013 was made on leasehold basis for land together with freehold/leasehold basis for factory/warehouse buildings. The leasehold for land was recorded as unearned land rental income presented in statement of financial position, and will be realized as rental income throughout lease agreements. The true sales and leasehold for factory/warehouse buildings were recorded as income from sales of properties presented in income statement, according to TAS 17 (revised 2009) which defines the long-term leasing of buildings as financial lease.

However, sales of properties to property funds each year depend on the Company's funding needs for its business expansion.

### 1.1.3 Income from sales of properties to other parties

Beside sales of properties to property funds, the Company also has sales of properties to tenants and other parties on occasion.

In 2013, the Company had no sales of properties to other parties.

Sales to tenants do not occur regularly. It normally depends on tenants' decisions to exercise the options to buy set forth in lease agreements. The gross margin of the sale varies by age, size, specification and location of the factories.

### 1.1.4 Income relating to associated companies (TFUND, TLOGIS and TGROWTH)

#### 1) Share of profit from investment in TFUND, TLOGIS and TGROWTH

The share of profit from investment in TFUND, TLOGIS and TGROWTH varies by TICON's stake in the funds, and the funds' profit.

Over the past three years, the Company had the share of profit from investment in the funds of Baht 160.8 million, Baht 169.2 million and Baht 216.6 million, respectively, representing a 4.6 percent decrease, 5.2 percent increase, and 28.0 percent increase, each year. The 2011 floods crisis had adversely affected the funds' performance in year 2012. The share of profit for the year 2012 thereby remained at the year 2011, even though the Company had higher stake in the funds.

Share of profit from investment in the funds was Baht 216.6 million in 2013, increased by Baht 47.4 million from 2012, due to TFUND's and TLOGIS' s improved performances and the Company's investments in TGROWTH during the year.

#### 2) Income from management of properties for TFUND, TLOGIS and TGROWTH

In 2013, this income increased from TFUND's and TLOGIS's improved performances as well as TLOGIS's income from insurance claim in regard to the floods. Over the past three years, the Company had property management fees of Baht 113.4 million, Baht 105.1 million, and Baht 152.6 million, respectively. The management fees in 2012 dropped from the previous year due to the decrease in the funds' rental and service incomes resulted from the floods.



The Company as a property manager of such funds, has obligations on guarantee of rental income for some of TLOGIS's warehouses and 1-year assurance of rental income for TGROWTH's vacant factories and warehouses.

### 3) Gain on sales of investment in associated companies

During the past three years, the Company sold some investment in TFUND and TLOGIS, for management of the Company's cash flow, and made some gains, i.e. Baht 2.0 million, Baht 36.5 million, and Baht 170.1 million, respectively. The gain on sales was recorded as a part of other income.

### 4) Realized additional gain on sales of properties to property funds

A gain may occur when TFUND, TLOGIS and TGROWTH sell factories/warehouses acquired from the Company to a third party, or when the Company reduces its stake in the funds.

Over the past three years, the Company had the realized additional gain on sales of properties to property funds of Baht 3.5 million, Baht 35.3 million, and Baht 154.5 million, respectively. Most of them were from the reductions of the Company's stake in TFUND/TLOGIS. The stake in TFUND and TLOGIS as at December 31, 2013 decreased from 27.9 percent and 26.1 percent to 23.6 percent and 20.0 percent, respectively.

## 1.1.5 Other Income

In addition to the income mentioned above, the Company had other income as follows:

### 1. Income from construction services

This income was generated from the Company's provision of construction or modification to tenants. Normally, such income was a minor portion of total revenues. However, in 2012, income from construction services increased from the prior year, due mainly to the provision of renovation works of a number of flood-affected factories and warehouses to tenants. In 2013, this income was from normal repair and modification works provided to tenants, which resulted in considerable decrease from year 2012.

## 2. Utilities income

The utilities income generated from the provision of temporary utilities for tenants whilst they were waiting for permanent supplies from the utilities suppliers. The Company normally has not sought profit from providing such services to tenants.

## 3. Insurance claims

In 2012 and 2013, the Company received insurance claims for renovation expenses for flood-affected properties and for the loss of rental income amounting to Baht 82.7 and Baht 69.7 million in total, respectively.

## 1.2 Expenses

### 1.2.1 Selling and administrative expenses

Over the past three years, selling and administrative expenses were Baht 326.0 million, Baht 432.0 million and Baht 715.6 million, respectively, representing a 10.6 percent, 32.5 percent, and 65.6 percent increase each year.

The major elements of selling and administrative expenses were employee related expenses and depreciation of vacant factories/warehouses, approximately 50.1 percent in total.

The selling and administrative expenses in 2013 increased substantially due mainly to the increase in depreciation and securities expenses of vacant factories/warehouses as well as the rising in employee related expenses following the expansion of business. In addition, there were expenses related to establishment of TGROWTH which were mostly recorded as selling expenses. It is one-time expense for setting up new fund. However, such expenses were compensated by adding-on to the selling price of properties and other income.

### 1.2.2 Finance Cost

Over the past three years, finance cost were Baht 267.2 million, Baht 410.8 million and Baht 546.4 million, respectively, representing a 2.2 percent, 53.7 percent and 33.0 percent increase each year.

Interest expenses were the significant element of finance cost, representing 98.3 percent. The rest were expenses in relation to the provision for financing.

The finance cost jumped in 2013 and 2012, due to the substantial increase in borrowing, corresponding to the Company's business expansion.

### 1.2.3 Allowance for impairment loss on assets

In 2012, the Company had reversed the allowance for impairment of property since the Company recorded Baht 15.4 million of allowance for impairment loss on two plots of land in Ayudhya province in 2011, then the fair value of such property was higher than its book value in 2012. There was no such transaction in 2013.

## 1.3 Profit

### 1.3.1 Gross profit margin

The Company had gross profit margin from its operations - rental and sales - over the past three years of 51.5 percent, 43.1 percent and 45.5 percent, respectively.

In 2012, the gross margin from operations decreased substantially from the previous year due to the rental loss as a result of the floods, renovation expenses for flood-affected properties, as well as the higher proportion of warehouses leasing.

In 2013, The Company had slight increase in gross profit margin from operation due to the rising in rental income and rental rate, diminishing of repair expenses for the flood-affected properties and ceasing of depreciation of the investment properties which were classified as non-current assets held-for-sale from Q2 until the completion of property selling in December.

### 1.3.2 Net profit margin

Over the past three years, the Company's net profit under the equity method, presented in consolidated financial statements, were Baht 436.4 million, Baht 1,296.6 million and Baht 1,414.2 million, respectively. Earnings per share were Baht 0.57, Baht 1.62 and Baht 1.56, respectively. Its net profit margins were 20.5 percent, 22.2 percent and 22.4 percent, respectively.

In 2012, the Company's net profit increased by Baht 860.2 million, or 197.11 percent, from the previous year. The substantial growth in the net profit mainly resulted from the increase in sales of properties to TFUND/TLOGIS during the year. The net profit also increased from the rising in rental and services income, construction income, share of income from investments in TFUND/TLOGIS, and realized additional gain on sales of properties to TFUND/TLOGIS, as well as gain on sales of investment in the funds. In addition, the Company benefited from the reduction of corporate income tax rate from 30 percent to 23 percent.

In 2013, the Company's net profit increased by Baht 117.6 million or 9.1 percent due to the rising in gross profit margin as mentioned above. In addition, the Company had more gain on sales of properties, higher management fee and increasing share of profit from TFUND/TLOGIS/TGROWTH following the funds' improved performances. Moreover, the Company had more realized additional gain on sales of properties to TFUND/TLOGIS as well as gain on sales of investment in the funds from decrease in the Company's stake as mentioned above. In addition, the Company benefited from the reduction of corporate income tax rate from 23 percent to 20 percent.

## 2. FINANCIAL STATUS

### 2.1 Assets

At the end of 2013, the Company had total assets of Baht 26,451.4 million. 65.3 percent of the total assets were investment properties, and 12.3 percent of the total assets were investment in TFUND, TLOGIS and TGROWTH.

The Company's total assets rose by Baht 6,715.4 million, a 34.0 percent increase from the previous year. The main reasons were the increase in the investment properties, as well as larger investments in associated companies from investment in TGROWTH.

#### 2.1.1 Investment properties

The investment properties are comprised of properties under development, available for lease, and leased properties. During the past three years, the Company had investment properties totaling Baht 10,989.9 million, Baht 13,688.3 million, and Baht 17,261.3 million, respectively.

The rising in the investment properties - net of those sold to TFUND/TLOGIS/TGROWTH - in 2013 by 26.1 percent reflected the Company's business expansion with substantial increase in land acquisition and factories/warehouses development, in respond to considerable demand. In 2013, the Company made the highest investment expansion.

### 2.1.2 Non-current assets held-for-sale

Non-current assets held-for-sale comprised available and/or leased properties expected to be sold within 1 year.

As at December 31, 2013, the Company had non-current assets held-for-sale of Baht 2,684.0 million, according to resolutions of the Board of Directors' Meeting held in Q1/2014 approved the offering of additional properties to TGROWTH and the offering of properties to the to-be-established Real Estate Investment Trust (REIT).

### 2.1.3 Property, plant and equipment ("PPE")

Approximately 81.5 percent of the PPE are land and land improvement. In 2013, the PPE rose by 26.4 percent from the year before, due mainly to more project development as already mentioned.

### 2.1.4 Current investments

At the end of 2013, the Company had current investments of Baht 420.7 million. Baht 419.1 million was Bills of Exchange, issued by domestic commercial banks. Such investment is considered as low risk and is a good alternative for the Company to manage its cash. In addition, it provides the Company with higher returns than those from savings deposits.

### 2.1.5 Trade accounts receivables – net

During the past three years, the Company had net trade accounts receivables of Baht 98.0 million, Baht 82.4 million, and Baht 43.5 million, respectively.

As for 2012, net trade accounts receivables decreased by Baht 15.6 million from the previous year, due mainly to the lower unbilled operating leases receivables by Baht 14.8 million. The decrease in unbilled operating leases receivables resulted from the cancellation of a number of lease agreements in 2012 owing to the floods.

In 2013, net trade accounts receivables decreased by Baht 38.9 million from the previous year mainly since unbilled operating leases receivables decreased by Baht 31.3 million, resulted from sales of a number of properties to TGROWTH.

However, the Company has a policy of holding security deposits of three to six months rental and service fee to help mitigating risks that could arise in the future.

#### **2.1.6 Pledged fixed deposit**

At the end of 2013, the Company had a fixed deposit of Baht 0.2 million. The deposit has been pledged with a bank as collateral for letters of guarantees issued in favor of a government entity, state enterprises and private companies.

#### **2.1.7 Investment**

At the end of 2013, TICON had investments in subsidiaries, associated and related companies as follows:

- a. Investment in Eco Industrial Services Co., Ltd. (a subsidiary) of 100 percent of its paid-up capital, with the investment amount under the cost method of Baht 50.0 million, representing 0.2 percent of the Company's total assets.
- b. Investment in TICON Logistics Park Co., Ltd. (a subsidiary) of 100 percent of its paid-up capital, with the investment amount under the cost method of Baht 2,515.0 million, representing 10.5 percent of the Company's total assets.
- c. Investment in Shanghai TICON Investment Management Co., Ltd. (a subsidiary) of 100 percent of its paid-up capital, with the investment amount under the cost method of Baht 85.4 million, representing 0.4 percent of the Company's total assets.
- d. Investment in TICON Property, Inc. (a subsidiary) of 100 percent of its paid-up capital, with the investment amount under the cost method of Baht 189.2 million, representing 0.8 percent of the Company's total assets.
- e. Investment in TICON Management Co., Ltd. (a subsidiary) of 100 percent of its paid-up capital, with the investment amount under the cost method of Baht 10.0 million, representing 0.04 percent of the Company's total assets.

- f. Investment in TICON Property Fund (an associated company) of 23.63 percent of the fund's capital. The investment amount under the equity method was Baht 1,512.8 million, representing 5.7 percent of the Company's consolidated total assets, and the investment amount under the cost method was Baht 2,807.9 million, or 11.7 percent of the Company's total assets.
- g. Investment in TPARK Logistics Property Fund (an associated company) of 20.04 percent of the fund's capital. The investment amount under the equity method was Baht 641.0 million, representing 2.4 percent of the Company's consolidated total assets, and the investment amount under the cost method was Baht 916.1 million, or 3.8 percent of the Company's total assets.
- h. Investment in TICON Industrial Growth Leasehold Property Fund (an associated company) of 28.52 percent of the fund's capital. The investment amount under the equity method was Baht 1,088.6 million, representing 4.1 percent of the Company's consolidated total assets, and the investment amount under the cost method was Baht 1,581.1 million, or 6.6 percent of the Company's total assets.
- i. Investment in Bangkok Club Co., Ltd. (a related company) of 0.11 percent of its registered capital, with the investment amount net of allowance for impairment of Baht 0.26 million.

### 2.1.8 Deferred tax assets

At the end of 2013, the Company had deferred tax assets of Baht 108.8 million, most of which related to corporate income tax entitlement in respect of unrealized gain from sales of properties to TFUND/TLOGIS/TGROWTH.

Corporate income tax relating to the gain on sales recorded in the Company's income statements excluded a certain amount of the tax at the same percentage as TICON's stake in TFUND/TLOGIS/TGROWTH, even where the full amount of the tax was already paid in cash. The difference between the tax paid in cash and the tax recorded in the income statements was the deferred tax assets. In the event that the Company realizes additional gain on sales of properties to TFUND/TLOGIS/TGROWTH, the deferred tax assets will be reduced proportionately.

Deferred tax assets presented in statement of financial position was net of deferred tax liabilities.



### 2.1.9 Deposit for land acquisition

At the end of 2013, the Company had a deposit for land acquisition of Baht 610.8 million. The deposit was paid in accordance with the agreements to purchase land from sellers.

### 2.1.10 Other non-current assets

As at December 31, 2013, other non-current assets was Baht 368.3 million, increased by Baht 351.9 million from those of 2012. Most of which was prepaid expenses from long-term land lease for warehouse development. The prepaid expenses will be realized as expenses in income statement throughout the term of lease.

## 2.2 Liabilities

At the end of 2013, the Company had total liabilities of Baht 17,763.6 million, increased by Baht 5,924.4 million, or 50.0 percent, from those of 2012.

The majority of the total liabilities were loans and debentures, representing 88.3 percent of total liabilities. The increase in total liabilities resulted from the following elements:

### 2.2.1 Loans

Total loan borrowing at the end of 2013 was Baht 15,679.2 million, increased by Baht 5,079.4 million, or 47.9 percent. This substantial increase was due mainly to more land acquisition and greater factory/warehouse development during the year.

The Company's total loan borrowing comprised short-term loans of 13.4 percent, long-term loans of 12.5 percent, and debentures of 74.1 percent.

Cash flow from operations and long-term loans, as well as debentures, are the Company's source of funds for factory/warehouse development which is considered as a long-term investment. The Company likewise uses short-term loans facilities for working capital, particularly for land acquisition during the period of applying for long-term credit lines from financial institutions. However, the large amount of short-term loans outstanding at any point of time depends mainly on the Company's cash flow management. The Audit Committee has regularly monitored the appropriateness of the ratio of short-term to total loans.

At the end of 2013, the outstanding balance of the debentures was Baht 11,610.0 million. All debentures' tenors ranged from 2 to 10 years.

The Company has agreements with some financial institutions and debenture holders in respect of retaining debt/interest-bearing debt to equity of not exceeding 2.5-3.0 times. The Company has never breached the said covenants.

### **2.2.2 Trade payables**

At the end of 2013, the Company had trade payables of Baht 554.1 million, most of which were related to the Company's factory and warehouse development.

Trade payables increased by Baht 104.0 million, or 23.1 percent from the previous year, due to the Company's business expansion in response to the growing demand of factories/warehouses leasing.

### **2.2.3 Corporate income tax payable**

At the end of 2013, the Company had corporate income tax payable of Baht 2.2 million, decreased by Baht 139.5 million, or 98.4 percent, from the previous year. This resulted from a number of tax exemption on profit from sales of properties to TGROWTH and TFUND, as well as reduction of the corporate income tax rate from 23 percent to 20 percent.

### **2.2.4 Liabilities related directly to non-current assets held-for-sale**

At the end of 2013, the Company had liabilities related directly to non-current assets held-for-sale of Baht 112.7 million. This was customer deposits of the properties classified as non-current assets held-for-sale.

### **2.2.5 Provision for long-term employee benefits**

At the end of 2013, the Company had Baht 25.3 million provision for long-term employee benefits which was the estimation of the Company's obligation to compensate employees on their retirement.

The Company has adopt TAS19 - Employee Benefits since 2011, by way of recording accumulated amount until the end of 2010 as liability, and recording the provision for employee benefits during each year as expenses.

## 2.2.6 Unearned land rental income

At the end of 2013, The Company had unearned land rental income of Baht 922.8 million which were income from land leasing to TGROWTH with the term of 30 years. This will be realized as rental income in the income statement on straight line basis over the term of lease.

## 2.3 Shareholders' Equity

At the end of 2013, the Company had shareholders' equity of Baht 8,687.8 million, increased by Baht 791.0 million, representing a 10.0 percent increase from the previous year. The shareholders' equity rose significantly as a result of the exercises of TICON-W6 and TICON-W3 of Baht 326.1 million in total, as well as the increase in this year's retained earnings.

## 2.4 Appropriateness of the Company's Capital Structure

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 maximize shareholder value.

In the past, the Company's main sources of funds for factories and warehouses development were operating cash flow, shareholders' capital injection, and loans from financial institutions. However, with its strong growth during the past 8-9 years, the Company participated in establishing TFUND in 2005, TLOGIS in 2009 and TGROWTH in 2013, in order to increase its abilities in raising more funds. Proceeds from sales of properties to these property funds each year help reduce reliance on loan borrowing and capital increase which costs more.

In addition, the Company has issued debentures with tenors of 2 to 10 years. Issuing debentures is another important source of funds for the Company, with the cost cheaper than that of loans from financial institutions.

Moreover, at present, there are outstanding balances of 3,800,310 TICON-W6 warrants, issued since 2012. These warrants will be expired in 2014. In the event that all warrants are exercised in full, the Company shall receive proceeds of approximately Baht 30.4 million in total.

## 2.5 Liquidity

In 2013, the Company had net cash received from operations amounting to Baht 5,066.3 million, net cash used for investment of Baht 9,851.9 million, and net cash received from financing of Baht 4,436.6 million.

The information as mentioned above shows that the Company has sufficient liquidity for its operations each year as planned. (A low current ratio does not reflect the Company's liquidity. Most of TICON's assets are land and factory buildings which are not classified as current assets, whereas accounts payable for the acquisition of land and construction are considered as current liabilities.)

At the end of 2013, the Company had an interest-bearing debt to equity ratio, which calculated from:

$$\frac{\text{Loans+Liability under financial lease agreement}}{\text{Total shareholders' equity}}$$

of 1.80 times, more than 1.34 times of the previous year, due to huge borrowing to fund land acquisition and factories/warehouses development to serve for new opportunities in the future. These reflected the Company's capital structure with the appropriate proportion of interest-bearing debt as compared to its equity base, under the present covenant of maintaining debt/interest-bearing debt to equity ratio.

As for interest coverage ratio which calculated from:

$$\frac{\text{Net profit+Interest expenses+Corporate income tax+Deferred gain on sales of properties to associated companies}}{\text{Interest expenses}}$$

the Company had the interest coverage ratio for 2013 of 5.02 times, which reflected the Company's high ability to service its finance cost. The Company has never defaulted on any interest payment.

As well as the debt service coverage ratio which calculated from:

$$\frac{\text{Net cash flows from operating activities+Interest expenses}}{\text{Repayment of long-term loans and debentures+Dividend paid+Interest expenses}}$$

the ratio was 1.43 times, which reflected the Company's ability to repay its liabilities.

## 3. FUTURE PROSPECTS

- Please see " Message from the Chairman of the Board " -

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES CONCERNING THE COMPANY'S FINANCIAL REPORT**

The TICON's Board of Directors had the management prepare financial statements to reveal the Company's financial position and operating results of the year 2013 in accordance with the Public Limited Companies Act B.E. 2535.

The Board of Directors is well aware of its duties and responsibilities as the directors of a listed company in the Stock Exchange of Thailand to ensure that TICON's financial statements are accurate, complete, and transparent in accordance with generally accepted accounting principles, while providing adequate information to safeguard the Company's assets from unlawful conduct and abnormalities which is for the benefit of shareholders and investors to have true and fair information.

The Board of Directors is of the opinion that the consolidated financial statements of TICON and Subsidiaries for the year 2013 reviewed by the Audit Committee in collaboration with the Management and the external auditor, EY Office Limited (formerly known as Ernst & Young Office Limited), were presented in a complete, true and fair manner in compliance with the generally accepted accounting principles and all governing rules and regulations, with appropriate and consistent accounting policies and adequate information disclosure.



(Mr. Chali Sophonpanich)  
Chairman of the Board

TICON Industrial Connection Public Company Limited  
and its subsidiaries  
Report and consolidated financial statements  
31 December 2013

## Independent Auditor's Report

To the Shareholders of TICON Industrial Connection Public Company Limited

I have audited the accompanying consolidated financial statements of TICON Industrial Connection Public Company Limited and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2013, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and have also audited the separate financial statements of TICON Industrial Connection Public Company Limited for the same period.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

### Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

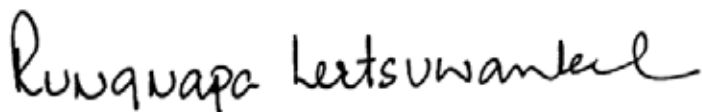
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.



**Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TICON Industrial Connection Public Company Limited and its subsidiaries and of TICON Industrial Connection Public Company Limited as at 31 December 2013, and their financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.



Rungrapa Lertsuwankul

Certified Public Accountant (Thailand) No. 3516

EY Office Limited

(Formerly known as Ernst & Young Office Limited)

Bangkok: 26 February 2014

**TICON Industrial Connection Public Company Limited and its subsidiaries**  
**Statement of financial position**  
**As at 31 December 2013**

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2013	2012	2013	2012
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	6, 7	347,864,631	361,543,112	93,287,464	120,475,731
Current investments	8	420,658,704	731,117,724	410,000,000	730,000,000
Trade and other receivables	6, 9	90,671,676	119,238,832	128,123,998	62,571,613
Other current assets	6	185,704,039	126,077,056	59,305,291	47,070,307
<b>Total current assets</b>		1,044,899,050	1,337,976,724	690,716,753	960,117,651
Non-current assets held-for-sale		2,683,965,029	-	750,965,029	-
		3,728,864,079	1,337,976,724	1,441,681,782	960,117,651
<b>Non-current assets</b>					
Pledged deposits at financial institution	6, 10	240,000	2,017,560	-	-
Unbilled operating leases receivables		30,268,027	53,838,183	6,293,445	12,105,472
Long-term loans to related company	6	-	-	9,075,955,242	5,389,749,050
Investments in subsidiaries	11	-	-	2,849,573,800	2,815,853,840
Investments in associates	12	3,242,406,082	2,755,075,515	5,305,173,765	4,493,445,080
Investment in related company		256,500	256,500	256,500	256,500
Investment properties under development and available for rent/sale	13.1	14,685,597,884	7,805,277,037	2,683,772,171	2,717,231,621
Investment properties for rent	13.2	2,575,653,294	5,883,050,643	1,937,368,030	2,535,609,262
Property, plant and equipment	14	1,094,903,173	866,015,568	84,084,008	31,105,693
Computer software	15	5,388,657	5,631,454	3,500,712	4,899,829
Deferred tax assets	26	108,755,499	266,970,115	-	5,110,384
Deposits for purchase of property	6	610,794,845	743,498,972	515,521,970	442,472,722
Other non-current assets	6	368,261,077	16,387,716	17,947,403	14,966,286
<b>Total non-current assets</b>		22,722,525,038	18,398,019,263	22,479,447,046	18,462,805,739
<b>Total assets</b>		26,451,389,117	19,735,995,987	23,921,128,828	19,422,923,390

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

**TICON Industrial Connection Public Company Limited and its subsidiaries****Statement of financial position (continued)****As at 31 December 2013**

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2013	2012	2013	2012
Liabilities and shareholders' equity					
Current liabilities					
Short-term loans and liabilities under trust receipts	6, 16	2,108,000,000	745,084,297	2,108,000,000	745,084,297
Trade and other payables	6, 17	765,622,145	666,062,956	311,154,002	312,585,654
Current portion of long-term loans	18	45,000,000	-	45,000,000	-
Current portion of debentures	19	1,080,000,000	2,350,000,000	1,080,000,000	2,350,000,000
Income tax payable		2,224,369	141,692,270	2,224,369	128,201,336
Other current liabilities	6	62,517,447	43,060,764	32,846,446	26,202,214
Total current liabilities		4,063,363,961	3,945,900,287	3,579,224,817	3,562,073,501
Liabilities related directly to non-current assets					
held-for-sale		112,742,000	-	60,942,000	-
		4,176,105,961	3,945,900,287	3,640,166,817	3,562,073,501
Non-current liabilities					
Long-term loans from related party	6	707,300,000	-	-	-
Long-term loans	18	1,208,866,487	354,660,000	306,245,312	105,840,000
Debentures	19	10,530,000,000	7,150,000,000	10,530,000,000	7,150,000,000
Provision for long-term employee benefits	20	25,344,785	21,572,729	22,351,025	18,327,569
Deferred tax liabilities	26	-	-	105,231,151	-
Customer deposits		193,261,702	367,134,981	107,085,577	204,688,276
Unearned land rental income	6	922,750,806	-	328,094,445	-
Total non-current liabilities		13,587,523,780	7,893,367,710	11,399,007,510	7,478,855,845
Total liabilities		17,763,629,741	11,839,267,997	15,039,174,327	11,040,929,346

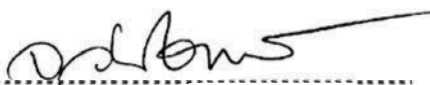
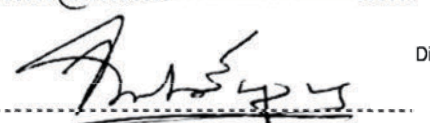
The accompanying notes are an integral part of the financial statements.

**TICON Industrial Connection Public Company Limited and its subsidiaries****Statement of financial position (continued)****As at 31 December 2013**

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2013	2012	2013	2012
<b>Shareholders' equity</b>					
Share capital					
Registered					
1,263,740,168 ordinary shares of Baht 1 each	21	1,263,740,168	1,263,740,168	1,263,740,168	1,263,740,168
Issued and paid up					
912,376,439 ordinary shares of Baht 1 each					
(2012: 877,469,834 ordinary shares					
of Baht 1 each)	21	912,376,439	877,469,834	912,376,439	877,469,834
Cash receipts from share subscription	22	-	56,841,422	-	56,841,422
Premium on ordinary shares	21	4,669,471,944	4,378,270,708	4,669,471,944	4,378,270,708
Retained earnings					
Appropriated - statutory reserve	23	126,374,017	126,374,017	126,374,017	126,374,017
Unappropriated		2,983,901,837	2,482,182,021	3,173,732,101	2,943,038,063
Other components of shareholders' equity		(4,364,869)	(24,410,060)	-	-
Equity attributable to owners of the Company		8,687,759,368	7,896,727,942	8,881,954,501	8,381,994,044
Non-controlling interests of the subsidiaries		8	48	-	-
<b>Total shareholders' equity</b>		<b>8,687,759,376</b>	<b>7,896,727,990</b>	<b>8,881,954,501</b>	<b>8,381,994,044</b>
<b>Total liabilities and shareholders' equity</b>		<b>26,451,389,117</b>	<b>19,735,995,987</b>	<b>23,921,128,828</b>	<b>19,422,923,390</b>

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

  
  
 Directors



**TICON Industrial Connection Public Company Limited and its subsidiaries****Income statement****For the year ended 31 December 2013**

(Unit: Baht)

		<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<b>Note</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>Revenues</b>					
Rental and related service income		1,109,690,372	1,053,011,998	586,236,312	557,134,778
Revenues from construction services		56,450,230	117,206,493	49,621,915	101,716,220
Sales of properties	6, 24	4,663,038,146	4,364,450,000	1,737,477,744	2,365,550,000
Utility income		25,987,752	23,015,817	8,638,237	7,088,937
Dividend income from subsidiary	6, 11	-	-	38,249,878	28,749,908
Dividend income from associates	6, 12	-	-	216,547,435	218,224,151
Management fee income from associates	6	152,590,550	105,073,728	133,370,948	101,700,831
Interest income	6	7,153,132	13,326,110	391,156,242	234,872,405
Insurance claim		69,653,654	82,705,443	10,000,000	72,705,443
Other income		225,449,458	85,189,768	186,032,040	69,065,058
<b>Total revenues</b>		<b>6,310,013,294</b>	<b>5,843,979,357</b>	<b>3,357,330,751</b>	<b>3,756,807,731</b>
<b>Expenses</b>					
Cost of rental and related services		261,519,013	392,292,470	116,832,717	195,763,003
Cost of construction services		40,680,629	97,949,065	36,918,346	80,173,248
Cost of sales of properties	24	2,886,282,933	2,691,065,147	929,046,587	1,305,481,161
Cost of utilities		24,375,726	23,015,817	8,629,486	7,088,937
Selling expenses		159,411,491	41,566,456	62,314,590	22,654,474
Administrative expenses	6	381,802,386	274,177,819	265,396,107	194,167,367
Depreciation		174,382,134	116,258,338	52,411,331	55,910,370
Reversal allowance for impairment loss on investment properties under development		-	(15,420,000)	-	(15,420,000)
Other expenses		9,649,755	1,439,375	(36,142)	47
<b>Total expenses</b>		<b>3,938,104,067</b>	<b>3,622,344,487</b>	<b>1,471,513,022</b>	<b>1,845,818,607</b>
<b>Profit before share of profit from investments in associates, finance cost and income tax expenses</b>					
		2,371,909,227	2,221,634,870	1,885,817,729	1,910,989,124
Share of profit from investments in associates	12	216,570,828	169,219,346	-	-
Realised additional gains on sales of properties to associates	12	154,452,915	35,289,017	-	-
Deferred gains on sales of properties to associates	12	(505,069,153)	(458,693,126)	-	-
<b>Profit before finance cost and income tax expenses</b>					
		2,237,863,817	1,967,450,107	1,885,817,729	1,910,989,124
Finance cost	6	(546,426,733)	(410,830,000)	(514,575,342)	(402,784,121)
<b>Profit before income tax expenses</b>		<b>1,691,437,084</b>	<b>1,556,620,107</b>	<b>1,371,242,387</b>	<b>1,508,205,003</b>
Income tax expenses	26	(277,202,089)	(260,048,035)	(227,175,599)	(274,892,117)
<b>Profit for the year</b>		<b>1,414,234,995</b>	<b>1,296,572,072</b>	<b>1,144,066,788</b>	<b>1,233,312,886</b>
<b>Profit attributable to:</b>					
Equity holders of the Company		1,414,234,953	1,296,571,968	1,144,066,788	1,233,312,886
Non-controlling interests of the subsidiaries		42	104	-	-
		<b>1,414,234,995</b>	<b>1,296,572,072</b>		
<b>Earnings per share</b>					
28					
<b>Basic earnings per share</b>					
Profit attributable to equity holders of the Company		1.56	1.62	1.26	1.54
<b>Diluted earnings per share</b>					
Profit attributable to equity holders of the Company		1.54	1.59	1.24	1.51

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

**TICON Industrial Connection Public Company Limited and its subsidiaries****Statement of comprehensive income****For the year ended 31 December 2013**

(Unit: Baht)

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
<u>Note</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<b>Profit for the year</b>	1,414,234,995	1,296,572,072	1,144,066,788	1,233,312,886
<b>Other comprehensive income:</b>				
Exchange differences on translation of financial statements in foreign currency	20,045,191	(5,324,486)	-	-
Actuarial loss	(451,634)	-	(1,309,247)	-
<b>Other comprehensive income for the year</b>	19,593,557	(5,324,486)	(1,309,247)	-
<b>Total comprehensive income for the year</b>	<u>1,433,828,552</u>	<u>1,291,247,586</u>	<u>1,142,757,541</u>	<u>1,233,312,886</u>
<b>Total comprehensive income attributable to:</b>				
Equity holders of the Company	1,433,828,510	1,291,247,482	1,142,757,541	1,233,312,886
Non-controlling interests of the subsidiaries	42	104	-	-
	<u>1,433,828,552</u>	<u>1,291,247,586</u>	<u>1,142,757,541</u>	<u>1,233,312,886</u>

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

## TICON Industrial Connection Public Company Limited and its subsidiaries

## Statement of changes in shareholders' equity

For the year ended 31 December 2013

Consolidated financial statements												(Unit: Baht)
Equity attributable to owners of the Company												
Other components of equity												
Other comprehensive income												
Exchange differences on												
	Issued and fully paid-up share capital	Cash receipts from share subscription	Premium on ordinary shares	Retained earnings	Excess of investment over book value of a subsidiary	translation of financial statements in foreign currency	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							
Balance as at 31 December 2011	781,005,203	-	3,510,089,029	111,725,292	1,356,459,618	(20,050,000)	964,426	(19,085,574)	5,740,193,568	36	5,740,193,604	
Converted right to purchase ordinary shares to share capital (Note 21)	96,464,631	-	888,181,679	-	-	-	-	-	964,646,310	-	964,646,310	
Cash receipts from share subscription (Note 22)	-	56,841,422	-	-	-	-	-	-	56,841,422	-	56,841,422	
Dividend paid (Note 31)	-	-	-	-	(156,200,840)	-	-	-	(156,200,840)	(92)	(156,200,932)	
Total comprehensive income for the year	-	-	-	-	1,296,571,968	-	(5,324,486)	(5,324,486)	1,291,247,482	104	1,291,247,586	
Unappropriated retained earnings transferred to statutory reserve	-	-	-	14,648,725	(14,648,725)	-	-	-	-	-	-	
Balance as at 31 December 2012	877,469,834	56,841,422	4,378,270,708	126,374,017	2,482,182,021	(20,050,000)	(4,360,060)	(24,410,060)	7,896,727,942	48	7,896,727,990	
Balance as at 31 December 2012	877,469,834	56,841,422	4,378,270,708	126,374,017	2,482,182,021	(20,050,000)	(4,360,060)	(24,410,060)	7,896,727,942	48	7,896,727,990	
Converted right to purchase ordinary shares to share capital (Note 21)	34,906,605	-	291,201,236	-	-	-	-	-	326,107,841	-	326,107,841	
Cash receipts from share subscription transferred to share capital during the year	-	(56,841,422)	-	-	-	-	-	-	(56,841,422)	-	(56,841,422)	
Increased in capital in a subsidiary	-	-	-	-	-	-	-	-	-	40	40	
Dividend paid (Note 31)	-	-	-	-	(912,063,503)	-	-	-	(912,063,503)	(122)	(912,063,625)	
Total comprehensive income for the year	-	-	-	-	1,413,763,319	-	20,045,191	20,045,191	1,433,828,510	42	1,433,828,552	
Balance as at 31 December 2013	912,376,439	-	4,669,471,944	126,374,017	2,983,901,837	(20,050,000)	15,685,131	(4,364,869)	8,687,759,368	8	8,687,759,376	

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



## TICON Industrial Connection Public Company Limited and its subsidiaries

## Statement of changes in shareholders' equity (continued)

For the year ended 31 December 2013

	Separate financial statements					(Unit: Baht)	
	Issued and fully paid-up share capital	Cash receipts from share subscription	Premium on ordinary shares	Retained earnings			Total shareholders' equity
				Appropriated	Unappropriated		
<b>Balance as at 31 December 2011</b>	781,005,203	-	3,510,089,029	111,725,292	1,880,574,742	6,283,394,266	
Converted right to purchase ordinary shares to share capital (Note 21)	96,464,631	-	868,181,679	-	-	964,646,310	
Cash receipts from share subscription (Note 22)	-	56,841,422	-	-	-	56,841,422	
Dividend paid (Note 31)	-	-	-	-	(156,200,840)	(156,200,840)	
Total comprehensive income for the year	-	-	-	-	1,233,312,886	1,233,312,886	
Unappropriated retained earnings transferred to statutory reserve	-	-	-	14,648,725	(14,648,725)	-	
<b>Balance as at 31 December 2012</b>	877,469,834	56,841,422	4,378,270,708	126,374,017	2,943,038,063	8,381,994,044	
<b>Balance as at 31 December 2012</b>	877,469,834	56,841,422	4,378,270,708	126,374,017	2,943,038,063	8,381,994,044	
Converted right to purchase ordinary shares to share capital (Note 21)	34,906,605	-	291,201,236	-	-	326,107,841	
Cash receipts from share subscription transferred to share capital during the year	-	(56,841,422)	-	-	-	(56,841,422)	
Dividend paid (Note 31)	-	-	-	-	(912,063,503)	(912,063,503)	
Total comprehensive income for the year	-	-	-	-	1,142,757,541	1,142,757,541	
<b>Balance as at 31 December 2013</b>	912,376,439	-	4,669,471,944	126,374,017	3,173,732,101	8,881,954,501	

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

**TICON Industrial Connection Public Company Limited and its subsidiaries****Cash flow statement****For the year ended 31 December 2013**

(Unit: Baht)

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>Cash flows from operating activities</b>				
Profit before tax	1,691,437,084	1,556,620,107	1,371,242,387	1,508,205,003
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	376,495,056	389,442,859	146,708,312	171,490,110
Reversal allowance for doubtful accounts	(663,089)	(4,089,210)	(637,602)	(4,089,210)
Dividend income from subsidiary	-	-	(38,249,878)	(28,749,908)
Dividend income from associates	-	-	(216,547,435)	(218,224,151)
Cost of properties sold	2,766,100,581	2,540,966,518	912,270,854	1,225,995,187
Losses (gains) on sales/write-off of equipment and investment properties for rent	6,212,627	211,407	(2,997,006)	(890,937)
Reversal allowance for impairment loss on investment properties under development	-	(15,420,000)	-	(15,420,000)
Gains on sales of investments in associates	(170,095,589)	(39,761,897)	(143,900,862)	(24,143,339)
Provision for long-term employee benefits	3,320,422	2,639,200	2,714,209	2,160,190
Share of profit from investments in associates	(216,570,828)	(169,219,346)	-	-
Realised additional gains on sales of properties to associates	(154,452,915)	(35,289,017)	-	-
Deferred gains on sales of properties to associates	505,069,153	458,693,126	-	-
Interest income	(7,153,132)	(13,326,110)	(391,156,242)	(234,872,404)
Interest expenses	537,221,635	402,343,490	505,770,699	394,572,298
Profit from operating activities before changes in operating assets and liabilities	5,336,921,005	5,073,811,127	2,145,217,436	2,776,032,839
Operating assets (increase) decrease				
Trade and other receivables	52,571,121	(43,749,821)	(59,317,247)	(4,588,239)
Other current assets	(38,578,122)	(61,511,998)	4,196,803	(7,829,270)
Other non-current assets	(351,873,361)	(1,035,057)	(2,981,117)	(999,128)
Operating liabilities increase (decrease)				
Other payables	(28,157,268)	72,004,537	(53,033,486)	76,062,156
Other current liabilities	17,951,120	24,460,764	5,138,670	13,194,771
Customer deposits	(61,131,279)	(25,564,576)	(36,660,699)	(67,038,057)
Unearned land rental income	922,750,806	-	328,094,445	-
Cash flows from operating activities	5,850,454,022	5,038,414,976	2,330,654,805	2,784,835,072
Interest received	7,382,413	13,136,123	6,017,198	12,010,637
Cash paid for interest expense	(528,431,682)	(340,846,713)	(497,335,392)	(333,208,091)
Cash paid for income tax	(263,072,448)	(215,539,144)	(242,811,032)	(157,264,235)
<b>Net cash flows from operating activities</b>	<b>5,066,332,305</b>	<b>4,495,165,242</b>	<b>1,596,525,579</b>	<b>2,306,373,383</b>

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

# **TICON Industrial Connection Public Company Limited and its subsidiaries**

## **Cash flow statement (continued)**

**For the year ended 31 December 2013**

(Unit: Baht)

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<b>Cash flows from investing activities</b>				
Increase in current investments	(8,540,980)	(1,117,724)	-	-
Increase in investments in associates	(1,630,933,858)	(1,647,504,186)	(1,630,933,858)	(1,647,504,186)
Increase in investments in subsidiaries	-	-	(33,719,960)	(226,078,000)
Proceeds from sales of investments in associates	963,106,035	357,660,980	963,106,035	357,660,980
Decrease in pledged deposits at financial institution	1,777,560	38,420,320	-	128,000
Cash receipt from long-term loans to subsidiary	-	-	4,753,293,808	2,033,820,000
Cash paid for long-term loans to subsidiary	-	-	(8,439,500,000)	(4,282,501,050)
Cash paid for acquisition of investment properties under development and available for rent/sale	(8,210,375,777)	(5,231,255,112)	(993,788,102)	(1,172,939,680)
Cash paid for acquisition of equipment	(22,400,444)	(59,589,478)	(14,419,912)	(9,126,139)
Cash paid for deposits for purchase of property	(1,160,221,442)	(869,812,482)	(263,967,440)	(540,490,232)
Cash paid for acquisition of computer software	(4,930,941)	(389,545)	(3,091,636)	(355,134)
Interest income from subsidiary	-	-	385,353,535	221,700,000
Dividend received from subsidiary	-	-	38,249,878	28,749,908
Dividend received from associates	216,547,435	218,224,151	216,547,435	218,224,151
Proceeds from sales of equipment	4,069,155	974,752	3,618,905	972,182
<b>Net cash flows used in investing activities</b>	<b>(9,851,903,257)</b>	<b>(7,194,388,324)</b>	<b>(5,019,251,312)</b>	<b>(5,017,739,200)</b>
<b>Cash flows from financing activities</b>				
(Decrease) increase in short-term loans and liabilities under trust receipts	1,362,915,703	(861,011,391)	1,362,915,703	(775,011,391)
Cash receipt from long-term loans	1,028,556,675	913,393,000	374,755,500	105,840,000
Proceeds from issuance of debentures	4,460,000,000	4,200,000,000	4,460,000,000	4,200,000,000
Cash receipt from long-term loans from related party	707,300,000	-	-	-
Repayment of long-term loans from related party	-	(1,000,534,000)	-	(1,000,534,000)
Repayment of long-term loans	(129,350,188)	(558,733,000)	(129,350,188)	-
Redemption of debentures	(2,350,000,000)	(850,000,000)	(2,350,000,000)	(850,000,000)
Proceeds from increase in share capital	269,266,419	1,021,487,732	269,266,419	1,021,487,732
Cash receipt from the subsidiary's increased capital	40	-	-	-
Dividend paid	(912,050,090)	(156,196,058)	(912,049,968)	(156,195,966)
<b>Net cash flows from financing activities</b>	<b>4,436,638,559</b>	<b>2,708,406,283</b>	<b>3,075,537,466</b>	<b>2,545,586,375</b>
(Decrease) increase in translation adjustments	16,253,912	(4,468,725)	-	-
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(332,678,481)</b>	<b>4,714,476</b>	<b>(347,188,267)</b>	<b>(165,779,442)</b>
Cash and cash equivalents at beginning of year	1,091,543,112	1,086,828,636	850,475,731	1,016,255,173
<b>Cash and cash equivalents at end of year (Note 7)</b>	<b>758,864,631</b>	<b>1,091,543,112</b>	<b>503,287,464</b>	<b>850,475,731</b>
<b>Supplemental cash flows information</b>				
Cash paid during the year for:				
Interest capitalised to related assets	53,366,921	30,406,867	44,816,796	29,524,284
Non-cash items:				
Transfer of investment properties under development and available for rent/sale and investment property for rent to be cost of sales of properties	2,766,100,581	2,540,966,518	912,270,854	1,225,995,187
Purchase of investment properties for which no cash has been paid	554,073,293	450,086,550	136,778,790	108,552,022

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

# **TICON Industrial Connection Public Company Limited and its subsidiaries**

## **Notes to consolidated financial statements**

### **For the year ended 31 December 2013**

#### **1. GENERAL INFORMATION**

TICON Industrial Connection Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. The Company and its subsidiaries are principally engaged in industrial real estate development business, which comprises the development of factories and warehouses, mainly for rent and occasionally for sale, and the provision of construction services.

The registered office of the Company is at No. 175 Sathorn City Tower, 13/1th Floor, South Sathorn Road, Bangkok.

#### **2. BASIS OF PREPARATION**

2.1 The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Profession 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 TICON Industrial Connection Public Company Limited and the following subsidiary companies (“the Group”). There has been the following change in the composition of the group during the current year.

On 20 May 2013, the Company established a subsidiary in Thailand, named TICON Management Company Limited, for the main purpose of being the manager for Real Estate Investment Trust. The subsidiary has a registered share capital of Baht 10 million and on 17 May 2013, the Company made an initial payment of share capital amounting to Baht 2.5 million and on 10 July 2013, the Company made an additional investment amounting to Baht 7.5 million.

The Company's shareholding in its subsidiaries can be summarised as follows:

Company	Country of incorporation	Nature of business	Percentage of shareholding	
			<u>2013</u> (Percent)	<u>2012</u> (Percent)
ECO Industrial Services Company Limited	Thailand	Real estate business- development of factories for rent/sale	99.99	99.99
TICON Logistics Park Company Limited	Thailand	Real estate business- development of warehouses for rent/sale	99.99	99.99
TICON Management Company Limited	Thailand	REIT manager	99.99	-
Shanghai TICON Investment Management Company Limited	China	Fund management	100.00	100.00
TICON Property, Inc.	United States of America	Investment in general real estate	100.00	100.00

The financial statements of Shanghai TICON Investment Management Company Limited ("the Subsidiary") for the years ended 31 December 2013 and 2012, which were included in the consolidated financial statements of the Company, were audited by its external auditor.

The financial statements of TICON Property, Inc. ("the Subsidiary") for the period as from 18 January 2012 to 31 December 2012 and for the year ended 31 December 2013, which were included in the consolidated financial statements of the Company, were prepared by the management of this subsidiary and were not audited by its external auditor. The operation of this subsidiary has not yet commenced.

- b) 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.

- c) The financial statements of the subsidiaries are prepared using the same significant accounting policies as the Company.
- d) The assets and liabilities in the financial statements of oversea subsidiary companies 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 statement of changes in shareholders' equity.
- e) Material balances and transactions between the Company and its subsidiary companies have been eliminated from the consolidated financial statements.
- f) 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, which present investments in subsidiaries and associates presented under the cost method, have been prepared solely for the benefit of the public.

### 3. NEW ACCOUNTING STANDARDS

Below is a summary of accounting standards that became effective in the current accounting period and those that will become effective in the future.

#### (a) Accounting standards that became effective in the current accounting year

Accounting standards:

TAS 12	Income Taxes
TAS 20 (revised 2009)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rates

Financial Reporting Standard:

TFRS 8	Operating Segments
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**Accounting Standard Interpretations:**

TSIC 10	Government Assistance - No Specific Relation to Operating Activities
TSIC 21	Income Taxes - Recovery of Revalued Non-Depreciable Assets
TSIC 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders

**Accounting Treatment Guidance for Transfers of Financial Assets**

These accounting standards, financial reporting standard, accounting standard interpretations and accounting treatment guidance do not have any significant impact on the financial statements.

**(b) Accounting standards that will become effective in the future**

		<u>Effective date</u>
Accounting Standards:		
TAS 1 (revised 2012)	Presentation of Financial Statements	1 January 2014
TAS 7 (revised 2012)	Statement of Cash Flows	1 January 2014
TAS 12 (revised 2012)	Income Taxes	1 January 2014
TAS 17 (revised 2012)	Leases	1 January 2014
TAS 18 (revised 2012)	Revenue	1 January 2014
TAS 19 (revised 2012)	Employee Benefits	1 January 2014
TAS 21 (revised 2012)	The Effects of Changes in Foreign Exchange Rates	1 January 2014
TAS 24 (revised 2012)	Related Party Disclosures	1 January 2014
TAS 28 (revised 2012)	Investments in Associates	1 January 2014
TAS 31 (revised 2012)	Interests in Joint Ventures	1 January 2014
TAS 34 (revised 2012)	Interim Financial Reporting	1 January 2014
TAS 36 (revised 2012)	Impairment of Assets	1 January 2014
TAS 38 (revised 2012)	Intangible Assets	1 January 2014
Financial Reporting Standards:		
TFRS 2 (revised 2012)	Share-based Payment	1 January 2014
TFRS 3 (revised 2012)	Business Combinations	1 January 2014
TFRS 4	Insurance Contracts	1 January 2016
TFRS 5 (revised 2012)	Non-current Assets Held for Sale and Discontinued Operations	1 January 2014



Effective date

TFRS 8 (revised 2012)	Operating Segments	1 January 2014
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## Accounting Standard Interpretations:

TSIC 15	Operating Leases - Incentives	1 January 2014
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TSIC 27	Evaluating the Substance of Transactions	1 January 2014
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	Involving the Legal Form of a Lease	
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TSIC 29	Service Concession Arrangements:	1 January 2014
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	Disclosures	
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TSIC 32	Intangible Assets – Web Site Costs	1 January 2014
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## Financial Reporting Standard Interpretations:

TFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 January 2014
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TFRIC 4	Determining whether an Arrangement contains a Lease	1 January 2014
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TFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 January 2014
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TFRIC 7	Applying the Restatement Approach under TAS 29 <i>Financial Reporting in Hyperinflationary Economies</i>	1 January 2014
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TFRIC 10	Interim Financial Reporting and Impairment	1 January 2014
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TFRIC 12	Service Concession Arrangements	1 January 2014
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TFRIC 13	Customer Loyalty Programmes	1 January 2014
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TFRIC 17	Distributions of Non-cash Assets to Owners	1 January 2014
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TFRIC 18	Transfers of Assets from Customers	1 January 2014
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The Company's management believes that these accounting standards, financial reporting standards, accounting standard interpretations and financial reporting standards interpretations will not have any significant impact on the financial statements for the year when they are initially applied.

## **4. SIGNIFICANT ACCOUNTING POLICIES**

### **4.1 Revenue recognition**

#### **Sales**

Sales are recognised in full when the Company and its subsidiaries have transferred the significant risks and rewards of ownership to the buyer.

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

Rental and related service income are recognised as revenue in profit and loss on a straight line basis over the lease term. The recognised revenue which is not yet due per the operating lease agreements has been presented under the caption of “Unbilled operating leases receivables” at the end of reporting period.

#### **Revenues from construction services**

Revenues from construction services are recognised based on percentage of completion method. The percentage of completion measured by the proportion of actual development costs incurred up to the end of the period and the total anticipated development cost to be incurred to completion.

#### **Dividends**

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

#### **Interest income**

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

### **4.2 Cash and cash equivalents**

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

### 4.3 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 the collection of receivables. The allowance is generally based on collection experience and analysis of debt aging.

### 4.4 Investments

- a) Investments in debt securities, both due within one year and expected to be held to maturity, are recorded at amortised cost. The premium/discount on debt securities is amortised/accreted by the effective rate method with the amortised/accreted amount presented as an adjustment to the interest income.
- b) Investments in non-marketable equity securities, which the Company classifies as other investments, are stated at cost net of allowance for impairment loss (if any).
- c) Investments in associates are accounted for in the consolidated financial statements using the equity method.
- d) Investments in subsidiaries and associates are accounted for in the separate financial statements using the cost method.

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

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

### 4.5 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 estimated useful lives of 20 years. Depreciation of the investment properties is included in determining income.

No depreciation is provided on land and construction in progress.

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.

#### **4.6 Property, plant and equipment and depreciation**

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

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

Buildings	20	years
Land improvement	20	years
Others	5	years

Depreciation is included in determining income.

No depreciation is provided on land and construction in progress.

An item of property, plant and 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.

#### **4.7 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.

#### **4.8 Intangible assets**

Intangible assets acquired intangible assets are measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets with finite lives are amortised on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method of such intangible assets are reviewed at least at each financial year end. The amortisation expense is charged to profit and loss.

A summary of the intangible assets with finite useful lives is as follows:

	<u>Useful lives</u>
Computer software	3, 5 and 10 years

#### **4.9 Related party transactions**

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

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

#### **4.10 Long-term leases**

The Company and its subsidiaries as the lessors.

Leases which the Company and its subsidiaries 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 are depreciated over the useful life of the asset.

Leases of assets which do not transfer substantially all the risks and rewards of ownership are classified as operating leases. Operating lease income is recognised in profit and loss on a straight line basis over the lease term.

## 4.11 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.

## 4.12 Impairment of assets

At the end of each reporting period, the Company and its subsidiaries perform impairment reviews in respect of the investment properties, property, plant and equipment or intangible 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. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that, based on information available, reflects the amount that the Company and its subsidiaries could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

An impairment loss is recognised in profit and loss.

In the assessment of asset impairment if there is any indication that previously recognised impairment losses may no longer exist or may have decreased, the Company and its subsidiaries estimate the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount of the asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

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

#### ***Defined benefit plans***

The Company and its subsidiary have obligations in respect of the severance payments it must make to employees upon retirement under labor law. The Company and its subsidiary 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.

## 4.14 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.

## 4.15 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 it recognises 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.

## 5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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



## Leases

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

## Allowance for doubtful accounts

In determining an allowance for doubtful accounts, the management needs to make judgement and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

## Fair value of financial instruments

In determining the fair value of financial instruments that are not actively traded and for which quoted market prices are not readily available, the management exercise judgment, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of liquidity, correlation and longer-term volatility of financial instruments.

## Impairment of securities investments

The Company treats available-for-sale investments and other investments 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 judgment of the management.

## Impairment of investments in subsidiaries and associates

The Company treats investment in subsidiaries and associates 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 properties available for rent/sale, investment properties for rent, and property, plant and equipment and depreciation**

In determining depreciation of investment properties available for rent/sale, investment properties for rent, and plant and equipment, the management is required to make estimates of the useful lives and residual values of the Company and its subsidiaries' investment properties available for rent/sale, investment properties for rent, and plant and equipment and to review estimate useful lives and residual values when there are any changes.

In addition, the management is required to review investment properties available for rent/sale, investment properties for rent, and property, plant and equipment for impairment on a periodical basis and record impairment losses in the period when it is determined that their recoverable amount is lower than the carrying amount. This requires judgments regarding forecast of future revenues and expenses relating to the assets subject to the review.

### **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.

## 6. RELATED PARTY TRANSACTIONS

6.1 The nature of the relationships between the Company and its related parties is summarised below.

Related parties names	Relationships	Percentage holding of the Company
ECO Industrial Services Company Limited	Subsidiary Company	99.99%
TICON Logistics Park Company Limited	Subsidiary Company	99.99%
TICON Management Company Limited	Subsidiary Company	99.99%
Shanghai TICON Investment Management Company Limited	Subsidiary Company	100.00%
TICON Property, Inc.	Subsidiary Company	100.00%
TICON Property Fund	Associated Company	23.63%
TPARK Logistics Property Fund	Associated Company	20.04%
TICON Industrial Growth Leasehold Property Fund	Associated Company	28.52%
Rojana Industrial Park Public Company Limited	Shareholder / Co-Director	-
Asia Plus Securities Public Company Limited	Co-Director	-
Sathorn City Tower Property Fund	Common shareholder	-
Bangkok Bank Public Company Limited	Directors are in the same family.	-
Asia Industrial Estate Company Limited	Co-Director	-

6.2 Details of significant business transactions with related parties

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 financial statements		Separate financial statements		Transfer Pricing Policy
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	
<b><u>Transactions between the Company and its subsidiaries</u></b>					
(eliminated from the consolidated financial statements)					
Management fee income	-	-	1	1	2% of rental and service income of subsidiaries

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements		Transfer Pricing Policy
	2013	2012	2013	2012	
Construction fee income	-	-	7	4	2% of construction expense of subsidiary incurred during the year
Interest income	-	-	385	223	Before 1 June 2013, average interest rate of debentures issued during the third quarter of 2010 plus a certain rate and since 1 June 2013 average interest rate of debentures and short-term loan plus 0.15%
Dividend income	-	-	38	29	As declared by subsidiaries
Land rental income	-	-	5	5	4% of the price of land acquired from a subsidiary
Other income	-	-	1	-	Contract amount
Management fee	-	-	7	6	3% of rental and service income of associated
Common area services fee	-	-	1	-	Normal commercial price
<b>Transactions between the Company and its associates</b>					
Sales of land and factory buildings	1,737	2,334	1,737	2,334	Close to appraisal value (Note 12.3)
Management fee income from TICON Property Fund	107	96	107	96	4% of rental and service income of the Fund, plus a variation ranged 0-19.5% of gross operating profit, plus lease commission of 2-month of rental and service fee, and plus sales commission at maximum of 3% of sales value
Management fee income from TPARK Logistics Property Fund	25	6	25	6	55% of gross rental and service income of the Fund, net of minimum income guaranteed, direct expense in relation to the property management, and other reserve, until 31 December 2016. After that, 3% of the gross rental and service income of the Fund plus a variation range 0-10% of gross operating profit will be applied.
Management fee income from TICON Industrial Growth Leasehold Property Fund	1	-	1	-	4% of net income of the Fund, plus a variation ranged 0-19.5% of gross operating profit, plus lease commission of 2-month of rental and service fee, and brokerage fee for purchase, sale, transfer of leasehold rights in and receipt of a transfer of leasehold rights in properties at the rate of not more than 3% of such value.

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements		Transfer Pricing Policy
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	
Dividend income	-	-	217	218	As declared by the Fund
Assurance for rental and service income	2	-	2	-	Normal commercial price
Revenues from construction services	5	2	5	2	Contract amount
Land rental income	1	-	1	-	Contract amount
<b>Transactions between the Company and its related companies</b>					
Purchases of land	-	64	-	64	Normal commercial price
Deposit for land acquisition	124	332	124	305	Normal commercial price
Purchase of investment	450	-	450	-	Agreed price
Office rental and related fees	15	15	14	13	Normal commercial price
Interest income	2	2	1	1	Market rate
Interest expense	23	42	7	42	MLR minus a certain rates, market rate
Commission fee	1	-	1	-	Market price
Other fees	-	5	-	5	Normal commercial price
<b>Transactions between subsidiary and associates</b>					
Sales of land and warehouse buildings	2,926	1,999	-	-	Closed to appraisal value (Note 12.3)
Management fee income from TICON Property Fund	2	2	-	-	2% of rental and service income of the Fund, plus a variation ranged 0.5-10.5% of gross operating profit, plus lease commission of 2-month of rental and service fee, and plus sale commission at maximum of 3% of sales value
Management fee income from TPARK Logistics Property Fund	16	1	-	-	3% of rental and service income of the Fund, plus a variation ranged 0-10% of gross operating profit and plus lease commission of 2-month of rental and service fee.
Management fee income from TICON Industrial Growth Leasehold Property Fund	1	-	-	-	Not more than 3% of net income of the Fund, plus a variation ranged 0-10.0% of gross operating profit, plus lease commission of 2-month of rental and service fee, and brokerage fee for purchase, sale, transfer of leasehold rights in and receipt of a transfer of leasehold rights in properties at the rate of not more than 3% of such value and administrative fee fix rate at Baht 1 million per annum.
Assurance for rental and service income	3	3	-	-	Normal commercial price
Common area service fees	1	1	-	-	Normal commercial price
Revenues from construction services	2	2	-	-	Contract amount
Land rental income	1	-	-	-	Contract amount

### 6.3 The outstanding balance of the related party transactions

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
<b>Cash at bank (presented under cash and cash equivalents)</b>				
Related company (Directors are in the same family.)	124,963	163,113	86,495	108,636
<b>Other receivables - related parties (presented under trade and other receivables) (Note 9)</b>				
Subsidiaries	-	-	73,522	3,614
Associates	44,173	12,967	30,161	11,121
Related company (Co-Director)	-	21,255	-	21,255
Total	44,173	34,222	103,683	35,990
<b>Interest receivables (presented under trade and other receivables) (Note 9)</b>				
Subsidiaries	-	-	1,101	1,047
<b>Prepaid interest expenses (presented under other current assets)</b>				
Related company (Co-Director)	32	1,182	32	1,182
<b>Other advance (presented under other current assets)</b>				
Associates	2,096	127	1,954	127
<b>Pledged deposits at financial institution</b>				
Related company (Directors are in the same family.)	240	2,018	-	-
<b>Long-term loans to related party</b>				
Subsidiaries	-	-	9,075,955	5,389,749
<b>Deposits for purchase of property</b>				
Related company (Shareholder / Co-Director)	132,586	132,586	106,193	106,193
Related company (Co-Director)	323,128	198,929	323,128	198,929
Total	455,714	331,515	429,321	305,122
<b>Refundable deposits (presented under other non-current assets)</b>				
Related company (Common shareholder)	3,705	3,705	3,705	3,705
Related company (Shareholder/Co-Director)	214	-	214	-
Total	3,919	3,705	3,919	3,705
<b>Other payables - related parties (presented under trade and other payables) (Note 17)</b>				
Subsidiaries	-	-	2,395	1,711
Associates	3,288	57,080	3,032	56,211
Total	3,288	57,080	5,427	57,922
<b>Interest payable (presented under trade and other payables) (Note 17)</b>				
Related company (Directors are in the same family.)	85	-	-	-

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
<b>Accrued expenses (presented under trade and other payables) (Note 17)</b>				
Related company (Common shareholder)	-	113	-	113
Related company (Directors are in the same family.)	-	3,093	-	3,093
Related company (Shareholder/Co-Director)	214	-	214	-
<b>Total</b>	<b>214</b>	<b>3,206</b>	<b>214</b>	<b>3,206</b>
<b>Unearned land rental income (presented under other current liabilities)</b>				
Subsidiaries	-	-	3,281	3,281
Associates	31,875	-	11,334	-
<b>Total</b>	<b>31,875</b>	<b>-</b>	<b>14,615</b>	<b>3,281</b>
<b>Unearned equipment rental income (presented under other current liabilities)</b>				
Subsidiaries	-	-	139	139
<b>Short-term loans from related party</b>				
Related company (Co-Director)	50,000	110,000	50,000	110,000
<b>Long-term loans from related party</b>				
Related company (Directors are in the same family.)	707,300	-	-	-
<b>Unearned land rental income</b>				
Associate	922,751	-	328,094	-

#### 6.4 The outstanding balances and the movements of the lending and the borrowing between the Company and its related parties

(Unit: Thousand Baht)

	Consolidated financial statements			
	Balance as at 31 December 2012	Increase during the year	Decrease during the year	Balance as at 31 December 2013
<b>Short-term loans from</b>				
Bangkok Bank Public				
Company Limited	-	1,480,000	(1,480,000)	-
Asia Plus Securities Public				
Company Limited	110,000	250,000	(310,000)	50,000
	<b>110,000</b>	<b>1,730,000</b>	<b>(1,790,000)</b>	<b>50,000</b>
<b>Long-term loans from</b>				
Bangkok Bank Public				
Company Limited	-	707,300	-	707,300

(Unit: Thousand Baht)

	Separate financial statements			
	Balance as at	Increase	Decrease	Balance as at
	31 December 2012	during the year	during the year	31 December 2013
<b>Long-term loans to</b>				
TICON Logistic Park Co., Ltd.	5,389,749	8,439,500	(4,753,294)	9,075,955
<b>Short-term loans from</b>				
Bangkok Bank Public				
Company Limited	-	1,480,000	(1,480,000)	-
Asia Plus Securities Public				
Company Limited	110,000	250,000	(310,000)	50,000
	110,000	1,730,000	(1,790,000)	50,000

As at 31 December 2013, long-term loans of Baht 9,076 million (2012: Baht 5,390 million) were unsecured loans to TICON Logistics Park Company Limited, a subsidiary, and carried interest at a rate of 3.94 to 4.35 percent per annum (2012: 4.35 percent per annum).

The outstanding long-term loan obtained from a financial institution, which is considered as a related company, is as follows:

(Unit: Million Baht)

Loans	Contract date	Consolidated		Significant conditions			
		2013	2012	Repayment		Installment period	Interest rate
				Period	Schedule		
1.	23 April 2013	707	-	9 years	Every 6 months	November 2016 - May 2022	MLR minus certain rate
Long term loans		707	-				

As at 31 December 2013, a part of the investment properties under development and available for rent/sale and investment properties for rent and land and buildings of the subsidiary, with a book value of Baht 944 million, have been pledged as collateral for the loans mentioned above.

As at 31 December 2013, there were available long-term loan facilities from a related party which had not yet been drawn down by the subsidiary of approximately Baht 152 million.



## 6.5 Directors and management's remuneration

During the years ended 31 December 2013 and 2012, the Company and its subsidiaries had employee benefit expenses payable to their directors and management as shown below.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Short-term employee benefits	49,426	47,325	41,538	41,436
Post-employment benefits	1,245	1,279	1,095	979
Total	<u>50,671</u>	<u>48,604</u>	<u>42,633</u>	<u>42,415</u>

## 6.6 Guarantee obligations with subsidiaries

The Company had outstanding guarantees with its subsidiaries as described in Note to the financial statements, item 18 and 32.3.

# 7. STATEMENT OF CASH FLOWS

For the purpose of the statements of cash flows, cash and cash equivalents include cash in hand and at financial institutions and current investments with an original maturity of 3 months or less.

Cash and cash equivalents as reflected in the statement of cash flows consist of the followings:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Cash	569	398	285	220
Deposits at financial institutions	347,296	361,145	93,002	120,256
Cash and cash equivalents	<u>347,865</u>	<u>361,543</u>	<u>93,287</u>	<u>120,476</u>
Current investments - notes with an original maturity of 3 months or less	<u>411,000</u>	<u>730,000</u>	<u>410,000</u>	<u>730,000</u>
Cash and cash equivalents in statement of cash flows	<u>758,865</u>	<u>1,091,543</u>	<u>503,287</u>	<u>850,476</u>

As at 31 December 2013, bank deposits in saving accounts, fixed deposits and current investment with an original maturity of 3 months or less carried interests between 0.1 and 3.0 percent per annum (2012: between 0.4 and 3.0 percent per annum).

## 8. CURRENT INVESTMENTS

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<b>Held for trading securities</b>				
Unit trusts	1,593	1,118	-	-
<b>Held to maturity debt security</b>				
<b>due within one year</b>				
Bills of exchanges	419,066	730,000	410,000	730,000
Total current investments	420,659	731,118	410,000	730,000

## 9. TRADE AND OTHER RECEIVABLES

9.1 The outstanding balance of trade accounts receivable, classified by age of the due dates

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<u>Trade receivables - unrelated parties</u>				
Aged on the basis of due dates				
Past due of up to 3 months	13,380	30,837	10,753	7,488
Past due of 3 - 6 months	2,476	2,944	2,154	1,788
Past due of 6 - 12 months	15,773	4,926	1,327	4,925
Past due of over 12 months	590	1,445	590	1,445
Total	32,219	40,152	14,824	15,646
Unbilled operating leases receivables	11,844	43,098	7,549	9,202
Less: Allowance for doubtful debts	(565)	(847)	(565)	(847)
Total trade receivables - unrelated parties, net	43,498	82,403	21,808	24,001

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<u>Other receivables</u>				
Other receivables - related parties	44,173	34,222	103,683	35,990
Other receivables - unrelated parties	238	1,065	72	770
Interest receivable - related party	-	-	1,101	1,047
Interest receivable - unrelated parties	171	401	132	401
Accrued income	2,592	1,148	1,328	363
Other receivables	47,174	36,836	106,316	38,571
Trade and other receivables, net	90,672	119,239	128,124	62,572

## 9.2 The balance of trade accounts receivable, classified by type of business.

(Unit: Thousand Baht)

Type of accounts receivable	Consolidated		Separate	
	financial statements		financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Accounts receivable from rental and				
Services	21,256	58,359	14,159	16,512
Accounts receivable from				
construction services	22,242	24,044	7,649	7,489
	43,498	82,403	21,808	24,001

## 10. PLEDGED DEPOSITS AT FINANCIAL INSTITUTION

As at 31 December 2013, the Company and its subsidiaries have deposits at financial institution of Baht 0.2 million (2012: Baht 2 million) which are pledged with certain bank as collateral for open letter of credit and trust receipt credit lines together with pre-settlement risk lines and letters of guarantees issued by banks in favor of a government entity, a state enterprise and private companies.

## 11. INVESTMENTS IN SUBSIDIARIES

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

(Unit: Thousand Baht)

Company	Nature of business	Country of Incorporation	Separate financial statements							
			Paid-up capital		Shareholding percentage		Investment value under cost method		Dividend received during the years	
			2013	2012	2013	2012	2013	2012	2013	2012
					(%)	(%)				
ECO Industrial Services Company Limited	Development of real estate, development of factories for rent/sale	Thailand	50,000	50,000	99.99	99.99	50,000	50,000	38,250	28,750
TICON Logistics Park Company Limited	Development of real estate, development of warehouses for rent/sale	Thailand	2,500,000	2,500,000	99.99	99.99	2,515,000	2,515,000	-	-
TICON Management Company Limited	REIT manager	Thailand	10,000	-	99.99	-	10,000	-	-	-
Shanghai TICON Investment Management Company Limited*	Fund management	China	85,384	61,664	100.00	100.00	85,384	61,664	-	-
TICON Property, Inc.**	Investment in general real estate	United States of America	31	31	100.00	100.00	189,190	189,190	-	-
Total investments in subsidiaries							2,849,574	2,815,854	38,250	28,750

\* Its financial statements were audited by another auditor.

\*\* Its financial statements were prepared by its management.

During the year 2013, the investments in the subsidiaries have been changed as follows:

- (a) On 26 February 2013, the meeting of the Board of Directors No. 1/2556 of ECO Industrial Services Company Limited, a subsidiary, approved an interim dividend payment to its shareholders of Baht 3.25 per share. The dividend was allotted from its 2012 net profit under 50 percent tax privileges. The dividend, totaling Baht 16.3 million, was paid on 27 February 2013.
- (b) On 28 February 2013, the meeting of the Company's Board of Directors No. 1/2556 approved the increase of capital in Shanghai TICON Investment Management Company Limited, a subsidiary, amounting to USD 0.8 million, or Baht 24 million. The Company made the payment on 13 March 2013 and the subsidiary registered the increase of its capital on 25 April 2013.
- (c) On 20 May 2013, the Company established a subsidiary, TICON Management Company Limited, for the main purpose of being the manager for Real Estate Investment Trust. The subsidiary has a registered share capital of Baht 10 million. On 17 May 2013, the Company made an initial payment of share capital amounting to Baht 2.5 million. The Company holds 99.99 percent of the subsidiary's shares.

- (d) On 14 June 2013, the meeting of the Board of Directors No.1/2556 of TICON Management Company Limited, a subsidiary, approved to call up the remaining payment of share capital amounting to Baht 7.5 million from the shareholders. The Company made payment of the share capital on 10 July 2013.
- (e) On 2 July 2013, the meeting of the Board of Directors No. 3/2556 of ECO Industrial Services Company Limited, a subsidiary, approved an interim dividend payment to its shareholders of Baht 1.75 per share. The dividend was allotted from its 2012 and the first quarter of 2013 net profit under 50 percent tax privileges. The dividend, totaling Baht 8.8 million, was paid on 3 July 2013.
- (f) On 20 September 2013, the meeting of the Board of Directors No. 4/2556 of ECO Industrial Services Company Limited, a subsidiary, approved an interim dividend payment to its shareholders of Baht 1.40 per share. The dividend was allotted from its 2013 net profit under 50 percent tax privileges. The dividend, totaling Baht 7.0 million, was paid on 23 September 2013.
- (g) On 19 December 2013, the meeting of the Board of Directors No. 5/2556 of ECO Industrial Services Company Limited, a subsidiary, approved an interim dividend payment to its shareholders of Baht 1.25 per share. The dividend was allotted from its 2013 net profit under 50 percent tax privileges. The dividend, totaling Baht 6.3 million, was paid on 20 December 2013.

During the year 2012, the investments in the subsidiaries have been changed as follows:

- (a) On 14 May 2012, the meeting of the Company's Board of Directors No. 2/2012 ratified the Company's third capital injection in Shanghai TICON Investment Management Company Limited, a subsidiary, amounting to USD 1.2 million, or Baht 37 million. The Company made the payment on 6 March 2012 and the subsidiary registered the increase of its capital on 9 May 2012. With this capital increase, the subsidiary has 100 percent paid-up share capital.
- (b) On 19 March 2012, the meeting of the Board of Directors No. 2/2012 of ECO Industrial Services Company Limited, a subsidiary, approved an interim dividend payment to its shareholders of Baht 2.0 per share. The dividend was allotted from its 2010 and 2011 net profit under 50 percent tax privileges. The dividend, totaling Baht 10 million, was paid on 20 March 2012.

- (c) On 18 January 2012, the Company established a wholly owned subsidiary in the United States of America, named TICON Property, Inc., to support an expansion of the business into real estate investment in the United States of America. The subsidiary has a registered share capital of 1 thousand shares. On 19 April 2012, the Company made an initial payment of share capital amounting to USD 1 million, or Baht 31 million.
- (d) On 14 May 2012, the meeting of the Company's Board of Directors No. 2/2012 approved the additional investment in TICON Property, Inc., amounting to USD 5.0 million, or Baht 158 million. The Company made the payment of such share capital on 24 May 2012.
- (e) On 12 June 2012, the meeting of the Board of Directors No. 3/2012 of ECO Industrial Services Company Limited, a subsidiary, approved an interim dividend payment (a second time) to its shareholders of Baht 1.75 per share. The dividend was allotted from its 2011 net profit under 50 percent tax privileges. The dividend, totaling Baht 8.75 million, was paid on 13 June 2012.
- (f) On 3 October 2012, the meeting of the Board of Directors No. 4/2012 of ECO Industrial Services Company Limited, a subsidiary, approved an interim dividend payment (a third time) to its shareholders of Baht 2.00 per share. The dividend was allotted from its 2011 and the first half of 2012 net profit under 50 percent tax privileges. The dividend, totaling Baht 10.0 million, was paid on 4 October 2012.
- (g) On 12 December 2012, the meeting of the Company's Board of Directors No. 2/2012 of Shanghai TICON Investment Management Company Limited, a subsidiary, approved increase share capital USD 0.8 million.

## 12. INVESTMENTS IN ASSOCIATES

### 12.1 Details of associates:

Company	Nature of business	Country of incorporation	Paid up Capital		Investment Units held by the Company		Percentage of investment	
			2013	2012	2013	2012	2013	2012
			(Thousand Baht)	(Thousand Baht)	(Thousand Unit)	(Thousand Unit)	(Percent)	(Percent)
TICON Property Fund	Investing in properties	Thailand	11,824,790	11,824,790	271,583	320,142	23.63	27.85
TPARK Logistics Property Fund	Investing in properties	Thailand	4,469,062	4,469,062	82,920	107,902	20.04	26.07
TICON Industrial Growth Leasehold Property Fund	Investing in properties and/or leasehold rights in properties	Thailand	5,550,000	-	158,301	-	28.52	-

## 12.2 Details of investments in associates

### (a) Carrying amounts of investments in associates

Company	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	Equity method		Cost method	
	2013	2012	2013	2012
<b>TICON Property Fund</b>				
Investments	2,641,187	3,109,839	2,807,921	3,302,838
Less: Deferred gains on sales of properties	(1,128,400)	(1,237,842)	-	-
Investments, net	1,512,787	1,871,997	2,807,921	3,302,838
<b>TPARK Logistics Property Fund</b>				
Investments	897,498	1,176,546	916,129	1,190,607
Less: Deferred gains on sales of properties	(256,485)	(293,467)	-	-
Investments, net	641,013	883,079	916,129	1,190,607
<b>TICON Industrial Growth Leasehold Property Fund</b>				
Investments	1,585,647	-	1,581,124	-
Less: Deferred gains on sales of properties	(497,041)	-	-	-
Investments, net	1,088,606	-	1,581,124	-
<b>Investments in associates, net</b>	<b>3,242,406</b>	<b>2,755,076</b>	<b>5,305,174</b>	<b>4,493,445</b>
<b>Value of investments per unit (Baht)</b>				
TICON Property Fund	5.57	5.85	10.34	10.32
TPARK Logistics Property Fund	7.73	8.18	11.05	11.03
TICON Industrial Growth Leasehold Property Fund	6.88	-	9.99	-

The gains on sales of land, factory and warehouse buildings to TICON Property Fund, TPARK Logistics Property Fund or TICON Industrial Growth Leasehold Property Fund ("the Funds") in the income statement are treated part of the gains, in proportion to its investments in the Funds as a deferred gains. The deferred gains were presented as a separate item in the income statement, under the caption "Deferred gains on sales of properties to associates".

## (b) Share of profit from investments in associates

(Unit: Thousand Baht)

Company	Consolidated financial statements	
	For the year ended 31 December	
	2013	2012
TICON Property Fund	157,653	140,614
TPARK Logistics Property Fund	54,396	28,605
TICON Industrial Growth Leasehold Property Fund	4,522	-
Total	216,571	169,219

## (c) Dividend received from associates

(Unit: Thousand Baht)

Company	Separate financial statements	
	For the year ended 31 December	
	2013	2012
TICON Property Fund	156,750	181,800
TPARK Logistics Property Fund	59,797	36,424
Total	216,547	218,224



## 12.3 Movements of investments in associates

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
<b>Investments in associates</b>				
Balance at beginning of year	4,286	3,005	4,493	3,179
Purchases of investment	1,631	1,648	1,631	1,648
Sales of investment	(793)	(318)	(819)	(334)
Share of profit	217	169	-	-
Dividend received	(217)	(218)	-	-
Balance at end of year	5,124	4,286	5,305	4,493

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
<b>Deferred gains on sales of properties</b>				
Balance at beginning of year	1,531	1,107		
Increase during the year	505	459		
Decrease during the year	(154)	(35)		
Balance at end of year	1,882	1,531		
<b>Investments in associates, net</b>	3,242	2,755		

The increase in deferred gains on sales of properties during the year resulted from the Company's sales of properties to the Funds, while the decrease in the deferred gains reflected the Funds' sales of properties to third parties, as well as the Company's lower stakes in the Funds.

The significant movements of the deferred gains on sales of properties to associates during the years 2013 and 2012 are summarised as follows.

Date	Transactions during the year 2013	Number of land and buildings / number of investment units	Selling price / Leasehold price (Million Baht)	Increase (decrease) in deferred gains on sales of properties (Million Baht)	
27 September 2013	The Company sold land and factories to TICON Property Fund	2 factories	105	8	*
12-13 December 2013	The Company leased land and factories, and leased land and sold factories to TICON Industrial Growth Leasehold Property Fund	38 factories	1,973	221	**
13 December 2013	The subsidiary leased land and warehouses, and leased land and sold warehouses to TICON Industrial Growth Leasehold Property Fund	50 warehouses	3,542	276	***
				<u>505</u>	
28 February 2013	TICON Property Fund sold land and a factory that was purchased from the Company to third party	1 factory	45	(3)	
2 January - 17 September 2013	Sales of investments in TICON Property Fund	52 million units	639	(109)	
3 January - 3 May 2013	Sales of investments in TPARK Logistics Property Fund	26 million units	324	(37)	
21 June 2013	TICON Property Fund sold land and a factory that was purchased from the Company to third party	1 factory	48	(2)	

Date	Transactions during the year 2013	Number of land and buildings / number of investment units	Selling price / Leasehold price (Million Baht)	Increase (decrease) in deferred gains on sales of properties (Million Baht)	
19 December 2013	TICON Property Fund sold land and a factory that was purchased from the Company to third party	1 factory	47	(3)	
				<u>(154)</u>	

\* The fair values of the land and factory as appraised using the income approach method by two independent valuers totaled Baht 104 million and Baht 106 million.

\*\* The fair values of the leased land and factories, and the leased land and sold factories as appraised using the income approach method by two independent valuers totaled Baht 2,115 million and Baht 2,198 million.

\*\*\* The fair values of the leased land and warehouses, and the leased land and sold warehouses as appraised using the income approach method by two independent valuers totaled Baht 3,340 million and Baht 3,406 million.

Date	Transactions during the year 2012	Number of land and buildings / number of investment units	Selling price (Million Baht)	Increase (decrease) in deferred gains on sales of properties (Million Baht)	
29 March 2012	The Company sold land and factories to TICON Property Fund	11 factories	762	110	*
29 November 2012	The subsidiary sold land and warehouses to TPARK Logistics Property Fund	36 warehouses	1,999	160	**
24 December 2012	The Company sold land and factories to TICON Property Fund	27 factories	1,572	189	***
				459	
17 February - 28 December 2012	Sales of investments in TICON Property Fund	24 million units	265	(10)	
17 February - 28 December 2012	Sales of investments in TPARK Logistics Property Fund	8 million units	92	(18)	
16 August 2012	TICON Property Fund sold land and a factory that was purchased from the Company to third party	1 factory	74	(7)	
				(35)	

\* The fair values of the land and warehouses as appraised using the income approach method by two independent valuers totaled Baht 748 million and Baht 766 million.

\*\* The fair values of the land and warehouses as appraised using the income approach method by two independent valuers totaled Baht 1,983 million and Baht 1,990 million.

\*\*\* The fair values of the land and factory as appraised using the income approach method by two independent valuers totaled Baht 1,564 million and Baht 1,571 million.

## 12.4 Fair value of the investments in associates which are listed companies on the Stock Exchange of Thailand

Company's name	Fair value per unit as at			
	Fair value as at 31 December		31 December	
	2013	2012	2013	2012
	(Million Baht)	(Million Baht)	(Baht)	(Baht)
TICON Property Fund	2,906	3,650	10.7	11.4
TPARK Logistics Property Fund	912	1,273	11.0	11.8
TICON Industrial Growth Leasehold Property Fund	1,393	-	8.8	-
Total	5,211	4,923		

12.5 As at 31 December 2013, the Company's investment units in TICON Property Fund of 66 million units (2012: Baht 101 million), with the value under the equity method amounting to Baht 370 million (2012: Baht 588 million), and the market value amounting to Baht 712 million (2012: Baht 1,146 million), were pledged with a bank as collateral for short-term loans and long-term loans. In addition, the Company's investment units in the TPARK Logistics Property Fund of 22 million units (2012: 22 million units), with the value under the equity method amounting to Baht 172 million (2012: Baht 182 million), and the market value amounting to Baht 245 million (2012: Baht 263 million), were pledged with a bank as collateral for guarantee of lease and service incomes, as mentioned in Note to the financial statements, item 32.5.

12.6 During the year 2013, the investments in the associates have been changed as follows:

- (a) On 9 December 2013, the Company invested in TICON Industrial Growth Leasehold Property Fund ("the Fund") for 111 million fund units at a total cost of Baht 1,110 million. The Company held 20 percent of the Fund's investment units.

On 11 December 2013, the Fund was registered as a property fund with the Office of the Securities and Exchange Commission with 555 million investment units at total registered fund of Baht 5,550 million.

In December 2013, the Company purchased additional 47.3 million investment units at a total cost of Baht 471 million which the Company acquired from an associate for 45 million investment units at a total cost of Baht 450 million. As a result, the Company's holding in the Fund was increased from 20 percent to 28.52 percent.

12.7 During the year 2012, the investments in the associates have been changed as follows:

- (a) On 28 March 2012, TICON Property Fund ("the Fund") issued an additional 74 million investment units at an offering price of Baht 10.25 each, to bringing the value of the Fund's registered investment units Baht 10,250 million in total. The Company acquired 37 million of the additional investment units at a total cost of Baht 375 million.

(b) On 10 July 2012, the Unitholders' meeting of TPARK Logistics Property Fund ("the Fund") No. 1/2012 passed the following resolutions:

1. Approved an increase in capital to fund investment in additional immovable properties, and specifically the purchase of land and 13 warehouse buildings consisting of 37 units, from TICON Logistics Park Company Limited, a related company, at the total price of not exceeding Baht 2,250 million.
2. Approved a capital increase of up to Baht 2,250 million, from existing capital of Baht 2,468 million to a new capital of not exceeding Baht 4,718 million, through the issuing and offering of additional investment units of not exceeding 225 million units, at a price of not less than Baht 10 per unit.

(c) On 3 September 2012, the Unitholders' meeting of TICON Property Fund ("the Fund") No. 1/2012 passed the following resolutions:

1. Approved an increase in capital to fund investment in additional immovable properties, and specifically the purchase of land and 27 factory buildings from TICON Industrial Connection Public Company Limited, a related company, at the total price of not exceeding Baht 1,650 million.
2. Approved a capital increase of up to Baht 1,650 million, from existing capital of Baht 10,250 million to a new capital of not exceeding Baht 11,890 million, through the issuing and offering of additional investment units of not exceeding 165 million units, at a price of not less than Baht 10 per unit.

(d) On 29 November 2012, TPARK Logistics Property Fund ("the Fund") issued an additional 176 million investment units at an offer price of Baht 11.35 each, bringing the value of the Fund's registered investment units to Baht 4,469 million in total. The Company acquired 62 million of the additional investment units at a total cost of Baht 706 million.

(e) On 24 December 2012, TICON Property Fund ("the Fund") issued an additional 151 million investment units at an offer price of Baht 10.45 each, bringing the value of the Fund's registered investment units to Baht 11,825 million in total. The Company acquired 43 million of the additional investment units at a total cost of Baht 448 million.

## 13. INVESTMENT PROPERTIES

### 13.1 Investment properties under development and available for rent/sale

#### 13.1.1 Movements of the net book value

(Unit: Thousand Baht)

Consolidated financial statements							
	Investment properties under development			Investment properties available for rent/sale			Grand total
	Land and land improvement	Construction in progress	Total	Land and land improvement	Factory and warehouse building	Total	
<b>Cost</b>							
1 January 2012	3,241,061	896,291	4,137,352	205,812	402,765	608,577	4,745,929
Purchase	1,958,288	3,830,712	5,789,000	-	-	-	5,789,000
Disposal	(9,618)	-	(9,618)	(15,207)	(98,708)	(113,915)	(123,533)
Transfer in/out	(1,108,884)	(3,441,967)	(4,550,851)	591,577	1,564,351	2,155,928	(2,394,923)
Capitalised interest	6,859	23,548	30,407	-	-	-	30,407
31 December 2012	4,087,706	1,308,584	5,396,290	782,182	1,868,408	2,650,590	8,046,880
Purchase	5,195,551	4,359,116	9,554,667	-	-	-	9,554,667
Disposal	-	-	-	-	(57,462)	(57,462)	(57,462)
Transfer in/out	(900,796)	(2,990,928)	(3,891,724)	148,387	1,269,805	1,418,192	(2,473,532)
Transfer to non-current assets							
held-for-sale	-	(96,022)	(96,022)	-	-	-	(96,022)
Capitalised interest	16,023	37,344	(53,367)	-	-	-	53,367
31 December 2013	8,398,484	2,618,094	11,016,578	930,569	3,080,751	4,011,320	15,027,898
<b>Accumulated depreciation</b>							
1 January 2012	-	-	-	-	56,122	56,122	56,122
Depreciation for the year	-	-	-	-	64,392	64,392	64,392
Depreciation on disposal	-	-	-	-	(10,322)	(10,322)	(10,322)
Transfer in/out	-	-	-	-	131,411	131,411	131,411
31 December 2012	-	-	-	-	241,603	241,603	241,603
Depreciation for the year	-	-	-	-	125,221	125,221	125,221
Depreciation on disposal	-	-	-	-	(3,624)	(3,624)	(3,624)
Transfer in/out	-	-	-	-	(20,900)	(20,900)	(20,900)
31 December 2013	-	-	-	-	342,300	342,300	342,300
<b>Net book value</b>							
1 January 2012	3,225,641	896,291	4,121,932	205,812	346,643	552,455	4,674,387
31 December 2012	4,087,706	1,308,584	5,396,290	782,182	1,626,805	2,408,987	7,805,277
31 December 2013	8,398,484	2,618,094	11,016,578	930,569	2,738,451	3,669,020	14,685,598
<b>Depreciation for the year (included in administrative expenses)</b>							
2012							64,392
2013							125,221

(Unit: Thousand Baht)

Separate financial statements							
	Investment properties under development			Investment properties available for rent/sale			
	Land and land	Construction	Total	Land and land	Factory	Total	Grand total
	improvement	in progress		improvement	Building		
<b>Cost</b>							
1 January 2012	826,218	280,340	1,106,558	130,114	231,284	361,398	1,467,956
Purchase	654,308	720,524	1,374,832	-	-	-	1,374,832
Disposal	(9,618)	-	(9,618)	(4,406)	(8,361)	(12,767)	(22,385)
Transfer in/out	(347,803)	(585,149)	(932,952)	358,031	658,469	1,016,500	83,548
Capitalised interest	6,859	22,665	29,524	-	-	-	29,524
31 December 2012	1,129,964	438,380	1,568,344	483,739	881,392	1,365,131	2,933,475
Purchase	344,769	823,346	1,168,115	-	-	-	1,168,115
Disposal	-	-	-	-	(57,462)	(57,462)	(57,462)
Transfer in/out	(374,191)	(785,197)	(1,159,388)	(17,685)	104,301	86,616	(1,072,772)
Transfer to non-current assets							
held-for-sale	-	(96,022)	(96,022)	-	-	-	(96,022)
Capitalised interest	16,023	28,794	44,817	-	-	-	44,817
31 December 2013	1,116,565	409,301	1,525,866	466,054	928,231	1,394,285	2,920,151
<b>Accumulated depreciation</b>							
1 January 2012	-	-	-	-	43,772	43,772	43,772
Depreciation for the year	-	-	-	-	35,658	35,658	35,658
Depreciation on disposal	-	-	-	-	(2,597)	(2,597)	(2,597)
Transfer in/out	-	-	-	-	139,410	139,410	139,410
31 December 2012	-	-	-	-	216,243	216,243	216,243
Depreciation for the year	-	-	-	-	46,417	46,417	46,417
Depreciation on disposal	-	-	-	-	(3,624)	(3,624)	(3,624)
Transfer in/out	-	-	-	-	(22,657)	(22,657)	(22,657)
31 December 2013	-	-	-	-	236,379	236,379	236,379
<b>Net book value</b>							
1 January 2012	810,798	280,340	1,091,138	130,114	187,512	317,626	1,408,764
31 December 2012	1,129,964	438,380	1,568,344	483,739	665,149	1,148,888	2,717,232
31 December 2013	1,116,565	409,301	1,525,866	466,054	691,852	1,157,906	2,683,772
<b>Depreciation for the year (included in administrative expenses)</b>							
2012							35,658
2013							46,417

### 13.1.2 The fair value of the investment properties

(Unit: Thousand Baht)

	Consolidated financial		Separate financial	
	statements		statements	
	2013	2012	2013	2012
Land and land improvement under development	8,924,067	7,338,079	1,165,993	1,320,436
Land and factory and warehouse buildings available for rent/sale	6,111,801	4,373,972	2,845,628	2,306,016

For 2013, the fair value has been determined based on the Company and its two subsidiaries' independent values whereas for 2012, the fair value has been determined based on independent value of associated companies in the same industrial area of the Company and subsidiaries' factories/warehouses and land. The fair value of the land and land improvement under development has been determined based on market prices, while that of the factory and warehouse buildings available for rent/sale has been determined using the income approach. The main assumptions used in the valuation are yield rate, vacancy rate and long-term growth in real rental rates.

### 13.1.3 Finance cost capitalised as investment properties under development

(Unit :Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Investment properties under development	11,112,600	5,396,290	1,621,888	1,568,344
Capitalised interest expenses				
from the part of loans from				
financial institutions and debentures	53,367	30,407	44,817	29,524
Capitalisation rate (%)	4.21	4.23	4.18	4.05

### 13.1.4 Collateralised investment properties under development and available for rent/sale

As at 31 December 2013, investment properties under development and available for rent/sale of the Company and its subsidiaries with a book value of Baht 4,676 million (2012: Baht 2,952 million) (The Company only: Baht 1,682 million, 2012: Baht 1,159 million) have been used as collateral for bank overdrafts, short-term loans and long-term loans from financial institutions.



## 13.2 Investment properties for rent

### 13.2.1 Movements of the net book value

(Unit: Thousand Baht)

	Consolidated financial statements		
	Land and land improvement	Factory and warehouse building	Total
<b>Cost</b>			
1 January 2012	2,051,462	5,169,467	7,220,929
Disposal	(716,563)	(1,973,915)	(2,690,478)
Transfer in/out	418,630	1,729,396	2,148,026
31 December 2012	1,753,529	4,924,948	6,678,477
Disposal	(20,007)	(3,012,401)	(3,032,408)
Transfer in/out	698,045	1,508,231	2,206,276
Transfer to non-current assets held-for-sale	(497,000)	(2,253,943)	(2,750,943)
31 December 2013	1,934,567	1,166,835	3,101,402
<b>Accumulated depreciation</b>			
1 January 2012	-	905,466	905,466
Depreciation for the year	-	282,405	282,405
Depreciation on disposal	-	(262,963)	(262,963)
Transfer in/out	-	(129,482)	(129,482)
31 December 2012	-	795,426	795,426
Depreciation for the year	-	196,939	196,939
Depreciation on disposal	-	(320,146)	(320,146)
Transfer in/out	-	16,530	16,530
Transfer to non-current assets held-for-sale	-	(163,000)	(163,000)
31 December 2013	-	525,749	525,749
<b>Net book value</b>			
1 January 2012	2,051,462	4,264,001	6,315,463
31 December 2012	1,753,529	4,129,522	5,883,051
31 December 2013	1,934,567	641,086	2,575,653
<b>Depreciation for the year</b>			
2012 (Baht 268 million included in cost of rental and related services, and the balance in administrative expenses)			282,405
2013 (included in cost of rental and related services)			196,939

(Unit: Thousand Baht)

Separate financial statements			
	Land and land improvement	Factory building	Total
<b>Cost</b>			
1 January 2012	1,586,173	2,897,725	4,483,898
Disposal	(488,488)	(881,119)	(1,369,607)
Transfer in/out	(18,068)	(77,059)	(95,127)
31 December 2012	1,079,617	1,939,547	3,019,164
Disposal	(20,007)	(946,962)	(966,969)
Transfer in/out	366,751	660,846	1,027,597
Transfer to non-current assets			
held-for-sale	(256,000)	(451,943)	(707,943)
31 December 2013	1,170,361	1,201,488	2,371,849
<b>Accumulated depreciation</b>			
1 January 2012	-	661,411	661,411
Depreciation for the year	-	124,954	124,954
Depreciation on disposal	-	(163,400)	(163,400)
Transfer in/out	-	(139,410)	(139,410)
31 December 2012	-	483,555	483,555
Depreciation for the year	-	89,806	89,806
Depreciation on disposal	-	(108,537)	(108,537)
Transfer in/out	-	22,657	22,657
Transfer to non-current assets			
held-for-sale	-	(53,000)	(53,000)
31 December 2013	-	434,481	434,481
<b>Net book value</b>			
1 January 2012	1,586,173	2,236,314	3,822,487
31 December 2012	1,079,617	1,455,992	2,535,609
31 December 2013	1,170,361	767,007	1,937,368
<b>Depreciation for the year</b>			
2012 (Baht 111 million included in cost of rental and related services, and the balance in administrative expenses)			124,954
2013 (included in cost of rental and related services)			89,806

### 13.2.2 The fair value of the investment properties

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land and land improvement with factory and warehouse buildings for rent	9,210,799	10,356,070	5,302,713	5,126,472

For 2013, the fair value has been determined based on the Company and its two subsidiaries' independent values whereas for 2012, the fair value has been determined based on independent value of associated companies in the same industrial area of the Company and subsidiaries' factories/warehouses and land. The fair value of the land and land improvement under development has been determined based on market prices, while that of the factory and warehouse buildings available for rent/sale has been determined using the income approach. The main assumptions used in the valuation are yield rate, vacancy rate and long-term growth in real rental rates.

### 13.2.3 Investment properties for rent under operating leases

The Company and its subsidiaries have several operating lease agreements in respect of the lease of land, factory and warehouse buildings. The terms of the agreements are generally between 6 months to 12 years. As at 31 December 2013, future minimum rental income to be generated under these operating leases is as follows.

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Less than 1 year	407	486	237	252

### 13.2.4 Collateralised investment properties for rent

As at 31 December 2013, investment properties for rent of the Company and its subsidiaries with a book value of Baht 2,302 million (2012: Baht 3,232 million) (The Company only: Baht 979 million, 2012: Baht 1,230 million) have been used as collateral for bank overdrafts, short-term loans and long-term loans from financial institutions.

### 13.2.5 Investment properties for rent which lessees have the rights to buy

As at 31 December 2013, the book values of the investment properties for rent which lessees have the rights to buy were as follows:

(Unit: Thousand Baht)

Option starting in	
2014	451,199
2015	25,238
<b>Total</b>	<b>476,437</b>

The investment properties for rent which lessees have the rights to buy means the land and factories or factories which the Company leases to its tenants under lease agreements with options to buy. The selling price of land being determined based on fair market value at the transaction date and the selling prices of factories being determined based on the market price on the date of offering the rights to buy the factory to lessees.

## 14. PROPERTY, PLANT AND EQUIPMENT

(Unit: Thousand Baht)

	Consolidated financial statements					
	Land and land improvement	Factory building	Equipment and tools	Furniture, fixtures and office equipment	Vehicles	Total
<b>Cost</b>						
1 January 2012	564,351	48,704	52,770	41,229	19,106	726,160
Purchase	-	38,621	5,548	9,778	5,643	59,590
Disposal	-	(1,419)	(2,131)	(2,001)	(2,603)	(8,154)
Transfer in/out	212,301	3,609	32,971	-	-	248,881
Translation adjustment	-	(758)	-	(21)	(100)	(879)
31 December 2012	776,652	88,757	89,158	48,985	22,046	1,025,598
Purchase	-	-	10,858	9,141	2,401	22,400
Disposal	-	-	(15,511)	(1,465)	(3,185)	(20,161)
Transfer in/out	203,278	64,851	1,603	588	-	270,320
Translation adjustment	-	3,791	-	128	252	4,171
31 December 2013	979,930	157,399	86,108	57,377	21,514	1,302,328
<b>Accumulated depreciation</b>						
1 January 2012	38,455	6,868	42,448	29,067	12,299	129,137
Depreciation for the year	20,696	3,556	3,071	6,419	3,397	37,139
Depreciation on disposal	-	(88)	(2,130)	(1,916)	(2,593)	(6,727)
Transfer in/out	(2,609)	(516)	3,180	-	-	55
Translation adjustment	-	(5)	-	(10)	(7)	(22)
31 December 2012	56,542	9,815	46,569	33,560	13,096	159,582
Depreciation for the year	28,368	5,958	6,084	6,220	2,531	49,161
Depreciation on disposal	-	-	(5,824)	(1,380)	(2,675)	(9,879)
Transfer in/out	2,603	520	5,058	-	-	8,181
Translation adjustment	-	252	-	42	86	380
31 December 2013	87,513	16,545	51,887	38,442	13,038	207,425

(Unit: Thousand Baht)

	Consolidated financial statements					
	Land and land improvement	Factory building	Equipment and tools	Furniture, fixtures and office equipment	Vehicles	Total
<b>Net book value</b>						
1 January 2012	525,896	41,836	10,322	12,162	6,807	597,023
31 December 2012	720,110	78,942	42,589	15,425	8,950	866,016
31 December 2013	892,417	140,854	34,221	18,935	8,476	1,094,903
<b>Depreciation for the year (included in administrative expenses)</b>						
2012						37,139
2013						49,161

(Unit: Thousand Baht)

Separate financial statements					
	Land and land improvement	Equipment and tools	Furniture, fixtures and office equipment	Vehicles	Total
<b>Cost</b>					
1 January 2012	-	24,168	28,924	16,660	69,752
Purchase	-	2,760	2,844	3,523	9,127
Disposal/write-off	-	(1,317)	(1,860)	(2,603)	(5,780)
Transfer in/out	12,950	-	-	-	12,950
31 December 2012	12,950	25,611	29,908	17,580	86,049
Purchase	-	6,618	5,400	2,401	14,419
Disposal/write-off	-	(1,763)	(783)	(1,970)	(4,516)
Transfer in/out	47,290	-	-	-	47,290
31 December 2013	60,240	30,466	34,525	18,011	143,242
<b>Accumulated depreciation</b>					
1 January 2012	-	19,989	22,004	10,953	52,946
Depreciation for the year	174	-	3,225	2,925	6,324
Depreciation on disposal/ write-off	-	(1,317)	(1,788)	(2,593)	(5,698)
Transfer in/out	-	1,371	-	-	1,371
31 December 2012	174	20,043	23,441	11,285	54,943
Depreciation for the year	1,026	-	2,869	2,100	5,995
Depreciation on disposal/ write-off	-	(1,723)	(712)	(1,460)	(3,895)
Transfer in/out	-	2,115	-	-	2,115
31 December 2013	1,200	20,435	25,598	11,925	59,158
<b>Net book value</b>					
1 January 2012	-	4,179	6,920	5,707	16,806
31 December 2012	12,776	5,568	6,467	6,295	31,106
31 December 2013	59,040	10,031	8,927	6,086	84,084
<b>Depreciation for the year (included in administrative expenses)</b>					
2012					6,324
2013					5,995

As at 31 December 2013, certain equipment items have been fully depreciated but are still in use. The gross carrying amount (before deducting accumulated depreciation) of those assets amounted to Baht 87 million (2012: Baht 69 million) (The Company only: Baht 63 million, 2012: Baht 47 million).

As at 31 December 2013, the Company's and a subsidiary's land, land improvement and buildings with a book value of Baht 462 million (2012: Baht 394 million) (The Company only: Baht 23 million, 2012: Baht 13 million) have been used as collateral for bank overdrafts, short-term loans and long-term loans from financial institutions.

## 15. COMPUTER SOFTWARE

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
<b>Cost</b>		
Balance as at 1 January 2012	23,372	19,548
Acquisition during the year	389	355
Balance as at 31 December 2012	23,761	19,903
Acquisition during the year	4,931	3,092
Balance as at 31 December 2013	28,692	22,995
<b>Accumulated amortisation</b>		
Balance as at 1 January 2012	12,624	10,449
Amortisation for the year	5,506	4,554
Balance as at 31 December 2012	18,130	15,003
Amortisation for the year	5,173	4,491
Balance as at 31 December 2013	23,303	19,494
<b>Net book value</b>		
Balance as at 1 January 2012	10,748	9,099
Balance as at 31 December 2012	5,631	4,900
Balance as at 31 December 2013	5,389	3,501

## 16. SHORT-TERM LOANS AND LIABILITIES UNDER TRUST RECEIPTS

(Unit: Thousand Baht)

	Interest rate (percent per annum)	Consolidated		Separate	
		financial statements		financial statements	
		2013	2012	2013	2012
Short-term loans	2.93 - 3.06	2,108,000	740,000	2,108,000	740,000
Liabilities under trust receipts	-	-	5,084	-	5,084
Total		2,108,000	745,084	2,108,000	745,084

As at 31 December 2013, the Company had overdraft lines and short-term loan credit facilities which have not yet been drawn down totaling Baht 1,055 million (2012: Baht 390 million).

As at 31 December 2013, the parts of the Company and its subsidiaries' investment properties under development and available for rent/sale, investment properties for rent, with a book value of Baht 746 million (2012: Baht 833 million) and a certain numbers of the Company's investment units in TICON Property Fund, with a value under the equity method amounting to Baht 370 million (2012: Baht 588 million), and a market value amounting to Baht 712 million (2012: Baht 1,146 million), have been pledged as collateral for liabilities under trust receipts, bank overdrafts and short-term loans from financial institutions.

## 17. TRADE AND OTHER PAYABLES

(Unit: Thousand Baht)

	Consolidated financial		Separate financial	
	statements		statements	
	2013	2012	2013	2012
Trade payables - unrelated parties	554,073	450,087	136,779	108,552
Other payables - related parties	3,288	57,080	5,427	57,922
Accrued interest expenses to related party	85	-	-	-
Accrued interest expenses to unrelated parties	120,649	95,512	120,246	95,379
Accrued expenses - related parties	214	3,206	214	3,206
Accrued expenses - unrelated parties	87,313	60,178	48,488	47,527
Total trade and other payables	765,622	666,063	311,154	312,586

## 18. LONG-TERM LOANS

### 18.1 The outstanding long-term loans from financial institutions

(Unit: Million Baht)

Loans	Contract date	Outstanding loans				Significant conditions			
		Consolidated		Separate					
		financial statements		financial statements					
		2013	2012	2013	2012	Period	Repayment schedule	Installment period	Interest rate
1.	2 July 2012	74	-	74	-	8 years	Every 6 months	December 2013 - June 2020	MLR minus a certain rate
2.	29 August 2012	108	23	108	23	7 years	Every 6 months	June 2015 - December 2019	MLR minus a certain rate
3.	5 September 2012	300	-	-	-	9 years	Every 6 months	September 2015 - September 2022	MLR minus a certain rate
4.	30 October 2012	603	249	-	-	10 years	Every 6 months	January 2016 - July 2022	MLR minus a certain rate
5.	22 November 2012	164	83	164	83	8 years	Every 6 months	June 2016 - December 2020	MLR minus a certain rate
6.	29 November 2013	5	-	5	-	9 years	Every 6 months	June 2017 - December 2022	MLR minus a certain rate
Total		1,254	355	351	106				
Less Current portion		(45)	-	(45)	-				
Long term loans, net		1,209	355	306	106				

### 18.2 Movements of long-term loans from financial institutions

(Unit: Thousand Baht)

	Consolidated	Separate
	financial statements	financial statements
Balance as at 31 December 2012	354,660	105,840
Add: Additional borrowings during the year	1,028,557	374,756
Less: Repayment borrowings during the year	(129,350)	(129,350)
Balance as at 31 December 2013	1,253,867	351,246

As at 31 December 2013, the long-term loans credit facilities of the Company and a subsidiary have not yet been drawn down amounted to Baht 4,866 million (2012: Baht 5,044 million).

As at 31 December 2013, the Company's and its subsidiary's investment properties under development and available for rent/sale, investment properties for rent, and its subsidiary's land and buildings, with a book value of Baht 5,750 million (2012: Baht 5,745 million), have been pledged as collateral for aforesaid long-term loans. In addition, as at 31 December 2013, its subsidiary's credit facilities from financial institutions amounting to Baht 4,067 million are guaranteed by the Company (2012: Baht 2,961 million).

Under the loan agreements, the Company and its subsidiary are required to retain debt to equity of not exceeding a certain rate.



## 19. DEBENTURES

As at 31 December 2013, the Company had outstanding of debentures amounting to Baht 11,610 million (2012: Baht 9,500 million). All debentures are name specified, unsubordinated, and unsecured debentures. The debentures were sold at the price of Baht 1,000 per unit, with a face value of Baht 1,000 each. Among other things, the Company is obliged to maintain its debt to equity ratio as specified in the terms and condition of the debentures. Significant details of the debentures are summarised below.

No.	Issued date	No. of debentures		Amount		Coupon rate	Tenure	Maturity date
		2013	2012	2013	2012			
		(Million units)	(Million units)	(Million Baht)	(Million Baht)			
3/2009	19 November 2009	-	1.00	-	1,000	4.300%	3.5 years	19 May 2013
1/2010	12 February 2010	-	0.55	-	550	3.400%	3 years	12 February 2013
1/2010	12 February 2010	0.25	0.25	250	250	4.280%	5 years	12 February 2015
2/2010	5 July 2010	-	0.50	-	500	3.100%	3 years	5 July 2013
3/2010	3 September 2010	-	0.30	-	300	3.350%	3 years	3 September 2013
3/2010	3 September 2010	0.20	0.20	200	200	3.730%	5 years	3 September 2015
4/2010	29 September 2010	0.28	0.28	280	280	3.400%	4 years	29 September 2014
4/2010	29 September 2010	0.22	0.22	220	220	3.520%	5 years	29 September 2015
1/2011	20 May 2011	0.65	0.65	650	650	4.230%	5 years	20 May 2016
2/2011	8 July 2011	0.35	0.35	350	350	4.780%	7 years	8 July 2018
3/2011	28 December 2011	0.65	0.65	650	650	4.500%	5 years	28 December 2016
4/2011	30 December 2011	0.35	0.35	350	350	4.500%	5 years	30 December 2016
1/2012	10 January 2012	0.10	0.10	100	100	4.500%	5 years	10 January 2017
2/2012	20 January 2012	0.80	0.80	800	800	4.000%	2 years	20 January 2014
3/2012	18 May 2012	0.80	0.80	800	800	4.280%	3 years	18 May 2015
4/2012	5 July 2012	0.50	0.50	500	500	4.490%	5 years	5 July 2017
5/2012	17 August 2012	0.70	0.70	700	700	4.050%	3 years	17 August 2015
5/2012	17 August 2012	0.30	0.30	300	300	4.170%	5 years	17 August 2017
6/2012	26 September 2012	1.00	1.00	1,000	1,000	4.800%	10 years	26 September 2022
1/2013	11 February 2013	0.50	-	500	-	3.620%	3 years	11 February 2016
2/2013	15 May 2013	0.30	-	300	-	3.600%	3 years	15 May 2016
2/2013	15 May 2013	1.20	-	1,200	-	4.000%	5 years	15 May 2018
2/2013	15 May 2013	0.50	-	500	-	4.300%	7 years	15 May 2020
3/2013	12 September 2013	0.60	-	600	-	4.130%	3 years	12 September 2016
3/2013	12 September 2013	0.30	-	300	-	4.730%	5 years	12 September 2018
4/2013	8 October 2013	0.44	-	440	-	4.490%	3 years	20 September 2017
							11 months	
							12 days	
5/2013	18 October 2013	0.62	-	620	-	4.850%	6 years	18 October 2019
		<u>11.61</u>	<u>9.50</u>	<u>11,610</u>	<u>9,500</u>			

## 19.1 The outstanding balance of the debentures

(Unit: Thousand Baht)

	Consolidated financial statements/ Separate financial statements	
	<u>2013</u>	<u>2012</u>
Debentures	11,610,000	9,500,000
Less: Current portion	<u>(1,080,000)</u>	<u>(2,350,000)</u>
Debentures - net of current portion	<u>10,530,000</u>	<u>7,150,000</u>

## 19.2 Movements of debentures

(Unit: Thousand Baht)

	Consolidated financial statements/ Separate financial statements	
	<u>2013</u>	<u>2012</u>
Balance - beginning of year	9,500,000	6,150,000
Add: Issuance of debentures during the year	4,460,000	4,200,000
Less: Redemption during the year	<u>(2,350,000)</u>	<u>(850,000)</u>
Balance - end of year	<u>11,610,000</u>	<u>9,500,000</u>

## 20. PROVISION FOR LONG-TERM EMPLOYEE BENEFITS

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

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<b>Defined benefit obligation at beginning of year</b>	21,573	18,934	18,328	16,167
Current service cost	2,541	1,952	2,028	1,584
Interest cost	859	757	766	647
Benefits paid during the year	(80)	(70)	(80)	(70)
Actuarial loss	<u>452</u>	<u>-</u>	<u>1,309</u>	<u>-</u>
<b>Defined benefit obligation at end of year</b>	<u>25,345</u>	<u>21,573</u>	<u>22,351</u>	<u>18,328</u>

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

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2013	2012	2013	2012
Current service cost	2,541	1,952	2,028	1,584
Interest cost	859	757	766	647
<b>Total expense recognized in profit or loss</b>	<b>3,400</b>	<b>2,709</b>	<b>2,794</b>	<b>2,231</b>
Line items under which such expenses are included in profit or loss				
Administrative expenses	3,400	2,709	2,794	2,231

The cumulative amount of actuarial losses recognized in other comprehensive income and taken as part of retained earnings of the Company and its subsidiary as at 31 December 2013 amounted to Baht 0.5 million (the Company only: Baht 1.3 million)

Principal actuarial assumptions at the valuation date were as follows:

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
	(% per annum)	(% per annum)	(% per annum)	(% per annum)
Discount rate	3.9	4.0	3.9	4.0
Future salary increase rate	4.0 - 14.0	3.5 - 5.0	4.0 - 14.0	3.5 - 5.0
Staff turnover rate (depending on age)				
- Head office	0.0 - 18.0	0.0 - 18.0	0.0 - 18.0	0.0 - 18.0
- Sites	35.0 - 50.0	35.0 - 50.0	35.0 - 50.0	35.0 - 50.0

Amounts of defined benefit obligation and experience adjustments on the obligation for the current and previous three periods are as follows:

(Unit: Thousand Baht)

	Defined benefit obligation		Experience adjustments on the obligation	
	Consolidated financial statements	Separate financial statements	Consolidated financial statements	Separate financial statements
Year 2013	25,345	22,351	(553)	516
Year 2012	21,573	18,328	-	-
Year 2011	18,934	16,167	-	-
Year 2010	16,400	14,081	-	-

## 21. SHARE CAPITAL

### 21.1 Registered share capital

During the year 2012, there have been changes of registered share capital as follows:

On 3 July 2012, the Company's Extraordinary General Meeting of Shareholders No. 1/2012 passed the following resolutions:

- a) Approved the issuance of 15.0 million shares to be reserved for adjustment of exercise ratio and/or for exercise of all of the Company's existing warrants and warrants to be issued in the future.
- b) Approved the reduction of registered capital from Baht 1,117.3 million to Baht 1,037.3 million by cancelling 80.0 million unissued ordinary shares, at a par value of Baht 1 per share, totaling Baht 80.0 million. The Company registered the reduction of its capital with the Ministry of Commerce on 13 July 2012.
- c) Approved the increase of registered capital from Baht 1,037.3 million to Baht 1,263.7 million by issuing ordinary shares totaling 226.49 million shares, at a par value of Baht 1 per share. The newly issued shares will be allotted for accommodating the exercise of TSRs of up to 97.63 million shares, the exercise of TICON-W6 of up to 33.86 million shares, the right adjustment of and/or exercise of the Company's warrants of up to 15.0 million shares, and the issuance of Taiwan Depository Receipts (TDRs) of up to 80.0 million shares. The Company registered the increase of its capital with the Ministry of Commerce on 16 July 2012.

## 21.2 Reconciliation of share capital which issued and paid-up

Description	Number of shares (Thousand shares)	Paid-up share capital (Thousand Baht)	Premium on ordinary shares (Thousand Baht)	Registration date
<u>Issued and paid-up ordinary share</u>				
The balance as at 31 December 2011	781,005	781,005	3,510,089	
Increase due to exercise of warrants:				
No. 1/2012				
TICON-T1	96,465	96,465	868,182	1 November 2012
The balance as at 31 December 2012	877,470	877,470	4,378,271	
Increase due to exercise of warrants:				
No. 4/2012				
TICON-W6	7,316	7,316	49,525	4 January 2013
No. 1/2013				
TICON-W3	4,958	4,958	88,473	4 April 2013
No. 1/2013				
TICON-W6	22,366	22,366	151,392	4 April 2013
No. 2/2013				
TICON-W6	170	170	1,152	5 July 2013
No. 3/2013				
TICON-W3	1	1	8	4 October 2013
No. 3/2013				
TICON-W6	96	96	651	4 October 2013
The balance as at 31 December 2013	912,377	912,377	4,669,472	

## 22. WARRANTS AND TRANSFERABLE SUBSCRIPTION RIGHTS (TSRs)

### 22.1 Details of the warrants are as follows:

<u>Warrant</u>	<u>Issued to</u>	<u>Issued date</u>	<u>Number of units issued</u>	<u>Term</u>	<u>Latest exercise ratio per 1 warrant</u>	<u>Latest exercise price per share</u>	<u>Exercise date</u>
TICON-W3	Existing shareholders	3 February 2009	219,353,636	5 years	1.06150	18.841	Last business day of each quarter starting from 31 March 2010
TICON-W6	Directors and employees	4 October 2012	32,883,000	2 years	1.02997	7.767	Last business day of each quarter starting from 28 December 2012
Total			252,236,636				

On 3 July 2012, the Company's Extraordinary General Meeting of Shareholders No. 1/2012 passed the following resolutions:

- a) Approved to issue Transferable Subscription Rights (TSRs) or TICON-T1 TSRs of 97,625,081 units for existing shareholders, with the details as follows:

No. of TSRs issued:	97,625,081 units
Ordinary shares reserved for exercise:	97,625,081 shares
Term of the TSRs:	60 days from the issuance date of the TSRs
Issuing date of the TSRs:	28 August 2012
Expiry date of the TSRs:	26 October 2012
Offering price per unit:	0 Baht
Exercise price:	10.000 Baht per share
Exercise ratio:	1.00000 ordinary share per 1 TSRs
Offering method:	Allotted to existing shareholder.

- b) Approved to issue TICON-W6 warrants of 32,883,000 units for the allocation by way of public offering to directors/employees and to replace TICON-W5, with the details as follows:

No. of warrants issued:	32,883,000 units (equal to total number of issued TICON-W5 warrants)
Ordinary shares reserved for exercise:	33,861,598 shares
Term of the warrants:	2 years from the issuance date of the warrants
Issuing date of the warrants:	4 October 2012
Expiry date of the warrants:	3 October 2014
Offering price per unit:	0 Baht
Exercise price:	7.769 Baht per share (which might be changed according to the conditions for the right adjustment)
Exercise ratio:	1.02976 ordinary share per 1 warrant (which might be changed according to the conditions for right adjustment)
Offering method:	Allotted by way of public offering to directors and employees who currently are the holders of TICON-W5 including the holders of TICON-W5 who have already resigned and may resign as the Company's directors or employees prior to the issuing date of the new warrants and wish to be allotted TICON-W6 to replace TICON-W5.
Lock-up period:	3 July 2012 to 27 December 2012

The estimated fair values of TICON-W6 warrant and TICON-W5 warrant are Baht 3.789 per unit and Baht 3.825 per unit, respectively. The fair values are fully diluted by taking into account the common shares to be fully exercised from TICON-W3 and TICON-W6. The summarised information regarding the valuation of fair value of the warrants are as follows:

Model used	- Binomial option pricing model
Dividend yield	- 5.05 % p.a.
Stock return volatility (2-year)	- 29.56% p.a.
Risk-free rate	- 3.17% p.a.
Underlying stock price (as at the grant date)	- Baht 12.90 per share
Post-vesting termination rate	- 0% p.a.
Trading days (2-year average)	- 243 days p.a.

During the year ended 31 December 2012, the Company has not recorded any incremental fair value for the above share-based payment plan because the fair value of TICON-W6 warrant (Replacement equity instruments) is less than TICON-W5 (Cancelled equity instruments).

TICON-W5 warrants (Cancelled equity instruments) were cancelled on 4 October 2012, which such date being the issuance date of TICON-W6 warrants (Replacement equity instruments). The Stock Exchange of Thailand approved TICON-W6 warrants (Replacement equity instruments) as listed securities as from 12 October 2012.

## 22.2 Movements of warrants of the Company during the year

Warrant	Number of warrants Outstanding as at 31 December 2012	Number of warrants Exercised during the year	Number of warrants outstanding as at 31 December 2013
TICON-W3	219,349,803	(4,672,034)	214,677,769
TICON-W6	25,778,000	(21,977,690)	3,800,310
Total	245,127,803	(26,649,724)	218,478,079

On 29 March 2013, the warrant holders exercised 4,671,573 TICON-W3 warrants to purchase 4,957,887 ordinary shares at Baht 18.845 each. The warrant holders exercised 21,719,090 TICON-W6 warrants to purchase 22,365,442 ordinary shares at Baht 7.769 each. The Company registered the above increase in its paid up share capital to be Baht 912,109,603 with the Ministry of Commerce on 4 April 2013. The Stock Exchange of

Thailand approved the additional ordinary shares as listed securities as from 10 April 2013.

On 28 June 2013, the warrant holders exercised 61 TICON-W3 warrants to purchase 64 ordinary shares at Baht 18.841 each. The warrant holders exercised 165,200 TICON-W6 warrants to purchase 170,149 ordinary shares at Baht 7.767 each. The Company registered the above increase in its paid up share capital to be Baht 912,279,816 with the Ministry of Commerce on 5 July 2013. The Stock Exchange of Thailand approved the additional ordinary shares as listed securities as from 10 July 2013.

On 30 September 2013, the warrant holders exercised 400 TICON-W3 warrants to purchase 424 ordinary shares at Baht 18.841 each. The warrant holders exercised 93,400 TICON-W6 warrants to purchase 96,199 ordinary shares at Baht 7.767 each. The Company registered the above increase in its paid up share capital to be Baht 912,376,439 with the Ministry of Commerce on 4 October 2013. The Stock Exchange of Thailand approved the additional ordinary shares as listed securities as from 10 October 2013.

## 23. STATUTORY RESERVE

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside 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 share capital. The statutory reserve is not available for dividend distribution.

## 24. SALES AND COST OF SALES OF PROPERTIES

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Sales of properties				
Land and building sales	3,037	4,364	481	2,366
Building sales by finance lease	1,626	-	1,256	-
	<u>4,663</u>	<u>4,364</u>	<u>1,737</u>	<u>2,366</u>
Cost of sales of properties				
Land and building sales	1,993	2,691	223	1,305
Building sales by finance lease	893	-	706	-
	<u>2,886</u>	<u>2,691</u>	<u>929</u>	<u>1,305</u>



## 25. EXPENSES BY NATURE

Significant expenses by nature are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Salary and wages and other employee benefits	169,986	146,818	126,834	111,291
Depreciation and amortisation	376,495	389,443	146,708	171,490
Repairs and maintenance	62,283	107,326	27,579	73,736
Rental expense from operating lease agreements	43,712	39,894	33,988	29,441
Reversal allowance for impairment loss on investment properties under development	-	(15,420)	-	(15,420)

## 26. INCOME TAX

### 26.1 Income tax expenses

Income tax expenses for the years ended 31 December 2013 and 2012 are made up as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<b>Current income tax:</b>				
Current income tax charge	118,987	332,328	116,834	277,913
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	158,215	(72,280)	110,342	(3,021)
<b>Income tax expenses reported in income statement</b>	<u>277,202</u>	<u>260,048</u>	<u>227,176</u>	<u>274,892</u>

Reconciliation between income tax expenses and the product of accounting profit multiplied by the applicable tax rate for the years ended 31 December 2013 and 2012 is as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Accounting profit before income tax	<u>1,691,437</u>	<u>1,556,620</u>	<u>1,371,242</u>	<u>1,508,205</u>
Applicable tax rate:				
The Company and its subsidiaries	20%	23%	20%	23%
Accounting profit before tax multiplied by applicable tax rate	338,287	358,023	274,248	346,887
Effects of:				
Promotional privileges (Note 26)	(173,895)	(99,484)	(3,986)	(2,083)
Dividend income from subsidiary and associates	-	-	(49,834)	(55,666)
Non-deductible expenses and income	112,810	1,509	6,748	(14,246)
Total	<u>(61,085)</u>	<u>(97,975)</u>	<u>(47,072)</u>	<u>(71,995)</u>
Income tax expenses reported in income statement	<u>277,202</u>	<u>260,048</u>	<u>227,176</u>	<u>274,892</u>

In October 2011, the cabinet passed a resolution to reduce the corporate income tax rate from 30 percent to 23 percent in 2012, and then to 20 percent from 2013. In addition, in order to comply with the resolution of the cabinet, in December 2011, the decreases in tax rates for 2012 to 2014 were enacted through a royal decree. The Company reflected the changes in tax rates in its deferred tax calculation, as presented above.

## 26.2 Deferred tax assets and deferred tax liabilities

As of 31 December 2013 and 2012, the components of deferred tax assets and deferred tax liabilities are as follows:

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2013	2012	2013	2012
<b>Deferred tax assets</b>				
Unrealised gains on sales of properties to associates	247,537	260,422	-	-
Unearned income from construction services	-	4,318	-	3,548
Provision for long-term employee benefits	5,069	4,314	4,470	3,665
Allowance for doubtful accounts	106	234	106	234
Prepaid income	-	1,535	-	1,004
Customer deposits	9,682	-	6,703	-
<b>Total</b>	<b>262,394</b>	<b>270,823</b>	<b>11,279</b>	<b>8,451</b>
<b>Deferred tax liabilities</b>				
Operating leases receivables	2,390	3,853	2,107	3,341
Building sales by finance lease	151,248	-	114,403	-
<b>Total</b>	<b>153,638</b>	<b>3,853</b>	<b>116,510</b>	<b>3,341</b>
	<b>108,756</b>	<b>266,970</b>	<b>(105,231)</b>	<b>5,110</b>

## 27. PROMOTIONAL PRIVILEGES

The Company and its two subsidiaries have been granted promotional privileges under the provisions of the Industrial Investment Promotion Act that subject to certain imposed conditions as follows:

Company	Certificate No.	Date of first earning operating income	Period of corporate income tax exemption	Period of 50% reduction of corporate income tax	Promotional activities
TICON Industrial Connection Public Company Limited	2321(2)/2555	24 May 2012	7 years	-	Building development for factory and/or warehouse (Rojana)
	2320(2)/2555	24 May 2012	7 years	-	Building development for factory and/or warehouse (Rojana)
	2322(2)/2555	29 June 2012	7 years	-	Building development for factory and/or warehouse (Pinthong)
	2324(2)/2555	29 June 2012	7 years	-	Building development for factory and/or warehouse (Amata Nakorn)
	2325(2)/2555	29 June 2012	7 years	-	Building development for factory and/or warehouse (Amata Nakorn)

Company	Certificate No.	Date of first earning operating income	Period of corporate income tax exemption	Period of 50% reduction of corporate income tax	Promotional activities
	2325(2)/2555	29 June 2012	7 years	-	Building development for factory and/or warehouse (Amata Nakorn)
	2323(2)/2555	29 June 2012	7 years	-	Building development for factory and/or warehouse (Hitech)
	2326(2)/2555	29 June 2012	7 years	-	Building development for factory and/or warehouse (Amata Nakorn)
	2327(2)/2555	29 June 2012	7 years	-	Building development for factory and/or warehouse (Amata Nakorn)
	2407(2)/2555	31 July 2012	7 years	-	Building development for factory and/or warehouse (Pinthong)
	2408(2)/2555	31 July 2012	7 years	-	Building development for factory and/or warehouse (Pinthong)
	2760(2)/2555	16 October 2012	7 years	-	Building development for factory and/or warehouse (Amata Nakorn)
	2931(2)/2555	29 October 2012	7 years	-	Building development for factory and/or warehouse (Amata Nakorn)
	1129(2)/2556	18 December 2012	7 years	-	Building development for factory and/or warehouse (Amata Nakorn)
	1128(2)/2556	20 December 2012	7 years	-	Building development for factory and/or warehouse (Amata Nakorn)
	1282(2)/2556	10 January 2013	7 years	-	Building development for factory and/or warehouse (Hemaraj)
	1283(2)/2556	10 January 2013	8 years	5 years	Building development for factory and/or warehouse (Kabinburi)
	1363(2)/2556	25 January 2013	7 years	-	Building development for factory and/or warehouse (Pinthong)
	1676(2)/2556	7 March 2013	7 years	-	Building development for factory and/or warehouse (Amata Nakorn)
	1814(2)/2556	30 April 2013	7 years	-	Building development for factory and/or warehouse (Pinthong)

Company	Certificate No.	Date of first earning operating income	Period of corporate income tax exemption	Period of 50% reduction of corporate income tax	Promotional activities
	2482(2)/2556	6 August 2013	8 years	5 years	Building development for factory and/or warehouse (Kabinburi)
	2616(2)/2556	13 September 2013	8 years	5 years	Building development for factory and/or warehouse (Amata City)
ECO Industrial Services Company Limited	1720(1)/2544	20 December 2001	8 years	5 years	Development of real estate for factories
TICON Logistics Park Company Limited	2142(2)/2550	1 July 2007	8 years	-	Logistics park activities (Bangna-trad)
	1766(2)/2551	1 July 2008	8 years	-	Logistics park activities (Wangnoi)
	1648(2)/2553	1 August 2010	7 years	-	Building development for factory and/or warehouse (Rojana)
	2529(2)/2554	26 October 2011	7 years	-	Building development for factory and/or warehouse (Amata Nakorn)
	2480(2)/2556	16 July 2013	8 years	-	Logistics park activities (Sriracha)
	2481(2)/2556	30 July 2013	8 years	-	Logistics park activities (Learnchabang 2)
	2677(2)/2556	17 October 2013	7 years	-	Building development for factory and/or warehouse (Hemaraj)
	Aor kor 0908/014863*	26 December 2013	8 years	5 years	Building development for factory and/or warehouse (Rojana Prachinburi)

\* In the process of receiving BOI Certificates

The Company and its subsidiaries' operating revenues for the years ended 31 December 2013 and 2012 are below divided according to promoted and non-promoted operations.

(Unit: Thousand Baht)

## Consolidated financial statements

	Promoted		Non-promoted		Total	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Rental and service income	613,661	447,734	496,029	605,278	1,109,690	1,053,012
Revenues from construction						
services	-	-	56,450	117,207	56,450	117,207
Sales of properties	3,732,764	1,093,342	930,274	3,271,108	4,663,038	4,364,450
Utility income	1,222	1,260	24,766	21,756	25,988	23,016
Management fee income						
from associates	-	-	152,591	105,074	152,591	105,074
Gains on sale of investments						
in associates	-	-	170,096	39,762	170,096	39,762
Interest income	2,470	461	4,683	12,865	7,153	13,326
Insurance claim	-	-	69,654	82,705	69,654	82,705
Other income	12,074	315	43,279	45,112	55,353	45,427
Total	<u>4,362,191</u>	<u>1,543,112</u>	<u>1,947,822</u>	<u>4,300,867</u>	<u>6,310,013</u>	<u>5,843,979</u>

(Unit: Thousand Baht)

## Separate financial statements

	Promoted		Non-promoted		Total	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Rental and service income	146,373	24,794	439,864	532,341	586,237	557,135
Revenues from construction						
services	-	-	49,622	101,716	49,622	101,716
Sales of properties	807,203	-	930,274	2,365,550	1,737,477	2,365,550
Utility income	-	-	8,638	7,089	8,638	7,089
Dividend income from						
subsidiary	-	-	38,250	28,750	38,250	28,750
Dividend income from						
associates	-	-	216,548	218,224	216,548	218,224
Management fee income						
from associates	-	-	133,371	101,701	133,371	101,701
Gains on sale of investments						
in associates	-	-	143,901	24,143	143,901	24,143
Interest income	1,644	-	389,512	234,872	391,156	234,872
Insurance claim	-	-	10,000	72,705	10,000	72,705
Other income	-	-	42,131	44,923	42,131	44,923
Total	<u>955,220</u>	<u>24,794</u>	<u>2,402,111</u>	<u>3,732,014</u>	<u>3,357,331</u>	<u>3,756,808</u>

## 28. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing profit 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 per share is calculated by dividing profit 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.

The following table sets forth the computation of basic and diluted earnings per share:

Consolidated financial statements						
Profit for the year		Weighted average number of ordinary shares		Earnings per share		
2013	2012	2013	2012	2013	2012	
(Thousand Baht)	(Thousand Baht)	(Thousand shares)	(Thousand shares)	(Baht)	(Baht)	
<b>Basic earnings per share</b>						
Profit attributable to equity holders of the parent						
1,414,235	1,296,572	905,709	798,744*	1.56	1.62	
<b>Effect of dilutive potential ordinary shares</b>						
Warrants/TSRs						
TICON-W3	-	-	9,504	-	-	
TICON-W5	-	-	-	10,266	-	
TICON-T1	-	-	-	3,478	-	
TICON-W6	-	-	5,792	3,274	-	
<b>Diluted earnings per share</b>						
Profit of ordinary shareholders assuming the conversion of warrants/TSRs to ordinary shares						
1,414,235	1,296,572	921,005	815,762	1.54	1.59	

\* Includes the ordinary shares resulting from the exercise of warrants on 28 December 2012

Separate financial statements					
Profit for the year		Weighted average number of ordinary shares		Earnings per share	
<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
(Thousand Baht)	(Thousand Baht)	(Thousand shares)	(Thousand shares)	(Baht)	(Baht)
<b>Basic earnings per share</b>					
Profit attributable to equity holders					
of the parent					
1,144,067	1,233,313	905,709	798,744*	1.26	1.54
<b>Effect of dilutive potential ordinary shares</b>					
Warrants/TSRs					
TICON-W3	-	9,504	-		
TICON-W5	-	-	10,266		
TICON-T1	-	-	3,478		
TICON-W6	-	5,792	3,274		
<b>Diluted earnings per share</b>					
Profit of ordinary shareholders assuming					
the conversion of warrants/TSRs					
to ordinary shares	1,144,067	1,233,313	921,005	815,762	1.24 1.51

\* Includes the ordinary shares resulting from the exercise of warrants on 28 December 2012

The warrants allocated to the existing shareholders of the Company (TICON-W3) for the years ended 31 December 2012 were not included in the calculation of diluted earnings per share since the exercise price of the warrants exceeds the average fair value of the Company's ordinary shares.

## 29. 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 Managing Director.

For management purposes, the Company and its subsidiaries are organised into business units based on its products and services and have four reportable segments as follows:

- The development of factories
- The development of warehouses
- The provision of construction services
- The management fee

No operating segments have been aggregated to form the above reportable operating.



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 and total assets and on a basis consistent with that used to measure operating profit or loss and total assets 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 and total assets information regarding the Company and its subsidiaries' operating segments for the year ended 31 December 2013 and 2012, respectively.

(Unit: Million Baht)

For the year ended	The development	The development	The provision	The		Total reportable	Adjustments	
31 December 2013	of factories	of warehouses	of construction	management	Others	segments	and	Consolidated
			services	fee			eliminations	
Revenue from external customers	2,375	3,430	56	153	295	6,309	(6)	6,303
Interest revenue	391	1	-	-	-	392	(385)	7
Interest expense	(506)	(319)	-	-	-	(825)	288	(537)
Depreciation and amortization	(96)	(103)	-	-	-	(199)	2	(197)
Interest in the profit or loss of associates accounted for by the equity method	48	(182)	-	-	-	(134)	-	(134)
Income tax expense	(192)	(38)	-	(17)	(30)	(277)	-	(277)
<b>Segment profit</b>	<b>734</b>	<b>458</b>	<b>(3)</b>	<b>84</b>	<b>225</b>	<b>1,498</b>	<b>(84)</b>	<b>1,414</b>
<b>Segment total assets</b>	<b>8,769</b>	<b>17,673</b>	-	-	-	<b>26,442</b>	<b>9</b>	<b>26,451</b>
Investment in associates accounted for by the equity method	1,919	1,323	-	-	-	3,242	-	3,242
Additions to non-current assets other than financial instruments and deferred tax assets	1,272	8,452	-	-	-	9,724	-	9,724

(Unit: Million Baht)

For the year ended	The development	The development	The provision	The		Total	Adjustments	
31 December 2012	of factories	of warehouses	of construction	management	Others	segments	and	Consolidated
			services	fee			eliminations	
Revenue from external customers	2,978	2,469	117	105	168	5,837	(6)	5,831
Interest revenue	235	1	-	-	-	236	(223)	13
Interest expense	(394)	(184)	-	-	-	(578)	176	(402)
Depreciation and amortization	(118)	(154)	-	-	-	(272)	4	(268)
Interest in the profit or loss of associates accounted for by the equity method	(141)	(113)	-	-	-	(254)	-	(254)
Income tax expense	(216)	(38)	-	-	(6)	(260)	-	(260)
<b>Segment profit</b>	<b>717</b>	<b>390</b>	<b>(8)</b>	<b>80</b>	<b>152</b>	<b>1,331</b>	<b>(34)</b>	<b>1,297</b>
<b>Segment total assets</b>	<b>8,929</b>	<b>10,727</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,656</b>	<b>80</b>	<b>19,736</b>
Investment in associates accounted for by the equity method	1,872	883	-	-	-	2,755	-	2,755
Additions to non-current assets other than financial instruments and deferred tax assets	1,731	4,375	-	-	-	6,106	40	6,146

## Geographic information

The Company and its subsidiaries operate in Thailand only. As a result, all of revenues and assets as reflected in these financial statements pertain exclusively to this geographical reportable segment.

## Major customers

For the year 2013, the Company and its subsidiaries have revenue from one major customer in the amount of Baht 4,560 million, arising from the development of factories and the development of warehouses (2012: Baht 2,334 million and Baht 1,999 million derived from two major customers, arising from the development of factories and the development of warehouses).

## 30. PROVIDENT FUND

The Company, its subsidiary and their employees have jointly established a provident fund. The fund is contributed to by both employees and the Company and its subsidiary at the rates of 2 - 4 percent of wages. The fund was managed by Bank Ayudhya Public Company Limited. During the year 2013, the Company and its subsidiary contributed Baht 4 million (2012: Baht 3 million) to the fund.

## 31. DIVIDENDS

Dividends for the years ended 31 December 2013 and 2012 consist of the following:

Dividends	Approved by	Total dividends (Thousand Baht)	Dividend per share (Baht)
Dividend from the operating results of the year 2012	Annual General Meeting of the shareholders on 19 April 2013	912,064	1.0
Total dividends for the year 2013		912,064	1.0
Dividends from the operating results of the second half of the year 2011	Annual General Meeting of the shareholders on 25 April 2012	156,201	0.2
Total dividends for the year 2012		156,201	0.2

## 32. COMMITMENTS AND CONTINGENT LIABILITIES

### 32.1 Long-term lease agreements

- a) The Company and its subsidiaries have commitments in respect of six contracts made with "Industrial Estate Authority of Thailand" to rent land for the construction of standard factories for rent. These lease agreements are summarised as follows:

Contract No.	Contract period	Fees
21/2538-Nor Chor	13 December 1995 - 12 December 2025	Baht 4.70 million per annum (a)
14/2540-Nor Chor	14 November 1997 - 13 November 2027	Baht 0.66 million per annum (a)
8/2542-Nor Chor	18 August 1999 - 17 August 2029	Baht 2.21 million per annum (a)
9/2544-Nor Chor	6 June 2001 - 31 December 2018	Baht 5.59 million per annum (b)
Nor Chor.Kor 002/2548	25 January 2005 - 31 December 2018	Baht 0.75 million per annum (b)
Nor Chor. 005/2549	25 April 2006 - 31 December 2018	Baht 2.08 million per annum (b)

(a) The fee will be raised every ten years, at the rate of not more than 10 percent of the previous fee

(b) The fee will be raised every five years, at the rate of not more than 10 percent of the previous fee

- b) The Company has commitments in respect of office rental and related service agreements made with a related company, with rental and service fees charged at a rate of Baht 14 - 15 million per annum. These lease agreements cover a 3-year period, as from July 2012 to June 2015.

The Company and its subsidiaries have future minimum lease payments required under these operating leases contracts as follows.

(Unit: Million Baht)				
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Payable:				
In up to 1 year	498	33	25	25
In over 1 and up to 5 years	86	99	56	68
In over 5 years	67	86	67	79

### 32.2 Capital commitments

(Unit: Million Baht)				
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Agreements to purchase land for construction of factories and warehouses in the future	1,168	2,809	850	842
Agreements with contractors	1,625	1,234	42	30
Agreements for landfill	16	-	-	-
Agreements for repairment of factories and warehouses	3	7	3	6
Total	<u>2,812</u>	<u>4,050</u>	<u>853</u>	<u>878</u>

### 32.3 Bank guarantees

- (a) As at 31 December 2013, the Company has guaranteed bank guarantee facilities of its subsidiaries amounting to Baht 111 million (2012: Baht 116 million).
- (b) There were outstanding bank guarantees issued by the bank on behalf of the Company and its subsidiaries in respect of certain performance bonds as required in the business of the Company are categorised by purpose as follows:

(Unit: Million Baht)

Purpose of Guarantees	Consolidated		Separate	
	financial statements		financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Long-term land lease agreements	35	35	24	24
Utilities for construction projects	16	15	5	5
Operation for construction projects of factory buildings	12	11	8	8
Total	<u>63</u>	<u>61</u>	<u>37</u>	<u>37</u>

### 32.4 Servitude over property

As at 31 December 2013, the Company and its subsidiary have servitude over land of approximately 108 rai (2012: 108 rai) (The company only: 68 rai, 2012: 68 rai) of which the net book value is Baht 245 Million (2012: Baht 245 million) (The company only: Baht 152 million, 2012: Baht 152 million) and is presented under the caption of investment properties for rent and property, plant and equipment.

### 32.5 Guarantees of lease and service income

The Company, as a property manager of TPARK Logistics Property Fund ("the Fund") for 27 warehouses, has guaranteed minimum rental and service incomes (net of common area service fees of any vacant warehouses) of Baht 188 million per annum for the period from 1 January 2012 to 31 December 2016. In the event that these net total rental and service incomes are less than the guaranteed amount, the Company is obliged to compensate the Fund for the shortfall.

TICON Logistics Park Company Limited, a subsidiary, as the other property manager of TPARK Logistics Property Fund ("the Fund") has guaranteed rental and service incomes for 6 warehouses units for one year until 28 November 2013. In the event that any of the 6 warehouses are vacant, the Fund is obliged to compensate the Fund for rental loss at the same rate as the current rental charge for those warehouses. Defaults on rental payments are not included in the guarantee conditions.

The Company and TICON Logistic Park Company Limited, a subsidiary, as the property manager of TICON Industrial Growth Leasehold Property Fund ("the Fund") have guaranteed rental and service incomes for 38 factory and 50 warehouse units for one year from 12 and 13 December 2013 to 11 and 12 December 2014. In the event that any of the factory and the warehouse units are vacant, the Company and the subsidiary are obliged to compensate the Fund for rental loss at the same rate as the last tenant before the Fund invested in the factory and warehouse units.

As at 31 December 2013, 22 million units (2012: 22 million units) of the Company's investment units in TPARK Logistics Property Fund, with a value under the equity method of Baht 172 million (2012: Baht 182 million), and a market value amounting to Baht 245 million (2012: Baht 263 million), were pledged with a bank as collateral for such guarantee.

### **32.6 Investment commitment**

As at 31 December 2012, the Company is committed to pay uncalled portions of its investment in subsidiary, approximately of USD 0.8 million (2012: USD 0.8 million).

## **33. FINANCIAL INSTRUMENTS**

### **33.1 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, current investments, trade and other receivable, unbilled operating leases receivables, loans to, investments, short-term loans, long-term loans and debentures. The financial risk associated with these financial instruments and how they are managed is described below.

#### **Credit risk**

The Company and its subsidiaries are exposed to credit risk primarily from trade with counterparties involving the rental/sale of factories, warehouses and construction services. However, due to the large number and diversity of entities comprising the customer base, and their business conduct policy, the Company and its subsidiaries do not anticipate material losses from its debt collection. The maximum exposure to credit risk is limited to the carrying amounts of receivables as stated in the statements of financial position.

#### **Interest rate risk**

The Company and subsidiaries' exposure to interest rate risk relates primarily to its cash at banks, bank overdrafts, long-term borrowings and debentures. Most of the Company and subsidiaries' financial assets and liabilities bear floating interest rates or fixed rates which are close to the market rate.

Significant financial assets and liabilities classified by type of interest rates 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.

## Consolidated financial statements as at 31 December 2013

	Fixed interest rates						
	Within 1 year	1-5 years	Over 5 years	Floating interest rate	Non- interest bearing	Total	Average interest rate
	(Million Baht)						(% p.a.)
<b>Financial assets</b>							
Cash and cash equivalent	422	-	-	345	1	768	0.30, 2.43
Trade and other receivables	-	-	-	-	79	79	-
Unbilled operating leases receivables	-	-	-	-	42	42	-
	422	-	-	345	122	889	
<b>Financial liabilities</b>							
Short-term loans and liabilities							
under trust receipts	2,108	-	-	-	-	2,108	3.03
Trade and other payables	-	-	-	-	766	766	-
Debentures	1,080	8,410	2,120	-	-	11,610	4.18
Long-term loans from related party	-	358	349	-	-	707	4.5
Long-term loans	45	1,209	-	-	-	1,254	4.95
	3,233	9,977	2,469	-	766	16,445	

## Consolidated financial statements as at 31 December 2012

	Fixed interest rates						
	Within 1 year	1-5 years	Over 5 years	Floating interest rate	Non- interest bearing	Total	Average interest rate
	(Million Baht)						(% p.a.)
<b>Financial assets</b>							
Cash and cash equivalent	731	-	-	359	3	1,093	0.62, 3.03
Trade and other receivables	-	-	-	-	76	76	-
Pledged deposits at financial institution	-	-	-	2	-	2	2.20
Unbilled operating leases receivables	-	-	-	-	97	97	-
	731	-	-	361	176	1,268	
<b>Financial liabilities</b>							
Short-term loans and liabilities							
under trust receipts	740	-	-	-	5	745	3.68
Trade and other payables	-	-	-	-	666	666	-
Debentures	2,350	5,800	1,350	-	-	9,500	4.17
Long-term loans from related party	-	-	355	-	-	355	5.11
	3,090	5,800	1,705	-	671	11,266	

## Separate financial statements as at 31 December 2013

	Fixed interest rates					Total	Average interest rate
	Within 1 year	1-5 years	Over 5 years	Floating interest rate	Non- interest bearing		
	(Million Baht)						(% p.a.)
<b>Financial assets</b>							
Cash and cash equivalent	412	-	-	91	-	503	0.60, 2.43
Trade and other receivables	-	-	-	-	121	121	-
Unbilled operating leases receivables	-	-	-	-	14	14	-
Long-term loans to related company	-	-	-	9,076	-	9,076	4.12
	412	-	-	9,167	135	9,714	
<b>Financial liabilities</b>							
Short-term loans and liabilities							
under trust receipts	2,108	-	-	-	-	2,108	3.03
Trade and other payables	-	-	-	-	311	311	-
Debentures	1,080	8,410	2,120	-	-	11,610	4.18
Long-term loans	45	306	-	-	-	351	4.93
	3,233	8,716	2,120	-	311	14,380	

## Separate financial statements as at 31 December 2012

	Fixed interest rates					Total	Average interest rate
	Within 1 year	1-5 years	Over 5 years	Floating interest rate	Non- interest bearing		
	(Million Baht)						(% p.a.)
<b>Financial assets</b>							
Cash and cash equivalent	731	-	-	119	-	850	0.85, 3.03
Trade and other receivables	-	-	-	-	53	53	-
Unbilled operating leases receivables	-	-	-	-	21	21	-
Long-term loans to related company	-	5,390	-	-	-	5,390	4.35
	731	5,390	-	119	74	6,314	
<b>Financial liabilities</b>							
Short-term loans and liabilities							
under trust receipts	740	-	-	-	5	745	3.68
Trade and other payables	-	-	-	-	313	313	-
Debentures	2,350	5,800	1,350	-	-	9,500	4.17
Long-term loans from related party	-	-	106	-	-	106	4.56
	3,090	5,800	1,456	-	318	10,664	



## Foreign currency risk

The Company and subsidiaries' exposure to foreign currency risk arises mainly from purchasing transactions that are denominated in foreign currencies. The Company and its subsidiaries seek to reduce this risk by entering into forward exchange contracts when it considers appropriate. Generally, the forward contracts mature within one year.

The balances of financial liabilities denominated in foreign currencies are summarised below.

Foreign currency	Financial liabilities as at 31 December		Exchange rate as at 31 December	
	<u>2013</u> (Million)	<u>2012</u> (Million)	<u>2013</u> (Baht per 1 foreign currency unit)	<u>2012</u>
US dollar	-	0.2	-	30.7775

### 33.2 Fair values of financial instruments

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

A fair value is the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The fair value is determined by reference to the market price of the financial instrument or by using an appropriate valuation technique, depending on the nature of the instrument.

## 34. CAPITAL MANAGEMENT

The primary objective of the Group'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 2013, the Group's debt-to-equity ratio was 2.0:1 (2012: 1.5:1) and the Company's was 1.7:1 (2012: 1.3:1).

### 35. EVENTS AFTER THE REPORTING PERIOD

- (a) On 17 January 2014, the Company had issued debentures totaling 1.6 million units or Baht 1,600 million. All debentures are named specified, unsubordinated, unsecured, inconvertible debentures, and with no debenture holder's representative. The debentures were sold at a price of Baht 1,000 per unit, with a face value of Baht 1,000 each. The details of the issued debentures are as follows:

<u>No.</u>	<u>Issued date</u>	<u>No. of debentures</u> (Million units)	<u>Amount</u> (Million Baht)	<u>Coupon rate</u> (% p.a.)	<u>Tenure</u>	<u>Maturity date</u>
1/2014	17 January 2014	1.00	1,000	3.890%	3 years	17 January 2017
1/2014	17 January 2014	0.60	600	4.710%	5 years	17 January 2019

- (b) In January 2014, the Company has purchased 25.1 million investment units of TICON Industrial Growth Leasehold Property Fund at a total cost of Baht 251 million.
- (c) On 31 January 2014, the warrant holders exercised 18,461 TICON-W3 warrants to purchase 19,593 ordinary shares at Baht 18.841 each. The Company registered the above increase in its paid up share capital to be Baht 912,396,032 with the Ministry of Commerce on 4 February 2014. The Stock Exchange of Thailand approved the additional ordinary shares as listed securities as from 11 February 2014.
- (d) On 12 February 2014, BBL Asset Management Company Limited as the management company of TPARK Logistics Property Fund ("the Fund"), the associate, announced dividend payment from the Fund's retained earnings and performance during 1 October 2013 to 31 December 2013 at Baht 0.226 per unit. The payment will be made on 14 March 2014.
- (e) On 13 February 2014, BBL Asset Management Company Limited, the management company of TICON Property Fund ("the Fund"), the associate, announced dividend payment from the Fund's retained earnings and performance during 1 October 2013 to 31 December 2013 at Baht 0.185 per unit. The payment will be made on 14 March 2014.
- (f) On 26 February 2014, the Board of Directors' Meeting No. 1/2014 of the Company passed the following resolutions:

1. Resolved to propose to the 2014 Annual Ordinary General Meeting of Shareholders to be held on 22 April 2014, to approve allotment of 2013 net profit for dividend payment at Baht 1 per share. The payment will be made on 16 May 2014.
2. Approved the issuance of Transferable Subscription Rights (TSRs) for existing shareholders by way of right offering for the number of up to 182.5 million units at no cost, with the allocation ratio of 1 new TSRs unit for 5 existing shares. The term of the TSRs will be not over 2 months after the issuing date. 1 TSRs unit conveys the right to purchase 1 new ordinary share of the Company.
3. Approved the reduction of registered capital from Baht 1,263.7 million to Baht 932.7 million by cancelling 331 million unissued ordinary shares at a par value of Baht 1 per share, totaling Baht 331 million.
4. Approved the increase of registered capital from Baht 932.7 million to Baht 1,115.2 million by issuing ordinary shares totaling 182.5 million shares at a par value of Baht 1 per share. The newly issued shares will be allotted for accommodating the exercise of TSRs of up to 182.5 million shares.
5. Approved the offering of land and factories and/or warehouses totaling approximately 52 units with the total usable area of approximately 255,850 square metres to Real Estate Investment Trust (REIT) on freehold and/or leasehold basis. The Company expects to sell and/or to lease out the properties in the third quarter of 2014.

### **36. APPROVAL OF FINANCIAL STATEMENTS**

These financial statements were authorised for issue by the Company's Board of Directors on 26 February 2014.

## CERTIFICATION OF THE ACCURACY OF AUDITOR'S REMUNERATION DETAILS FOR THE FISCAL YEAR ENDED 31 DECEMBER 2013

### Audit fee

No.	Company's name	Auditor's name	Audit fee (Baht)
1	TICON Industrial Connection Public Company Limited and its subsidiaries	Ernst & Young Office Limited (By Ms. Rungnapa Lertsuwankul)	1,583,000
<b>Total Audit fee</b>			<b>1,583,000</b>

### Non-audit Fee

No.	Company's name	Non-audit service	Service provider	Non-audit fee (Baht)	
				Amount paid in the year	Amount to be paid later
				-	-
<b>Total Non-audit fee</b>				-	-

### The foregoing information:

- ☒ is complete and accurate, and I certify that to the best of my knowledge there is no other remuneration paid by the Company to me and related persons and to the company I work for and its related persons.
- ☐ is not complete and not accurate in respect of .....

After making any necessary adjustments to the information contained in this form, I hereby certify that such information presents complete and accurate details of all Audit fees and Non-audit fees paid by the Company to me and the audit firm that I work for.

*Rungnapa Lertsuwankul*

(Ms. Rungnapa Lertsuwankul)

EY Office Limited

(Formerly known as Ernst & Young Office Limited)

Auditor of TICON Industrial Connection Public Company Limited

## CERTIFICATION OF THE ACCURACY OF AUDITOR'S REMUNERATION DETAILS FOR THE FISCAL YEAR ENDED 31 DECEMBER 2013

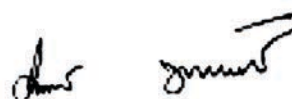
### Non-audit Fee

No.	Company's name	Non-audit service	Service provider	(Non-audit fee) (Baht)	
				Amount paid in the year	Amount to be paid later
1	TICON Industrial Connection Public Company Limited and its subsidiaries	Audit data for submission to the Board of Investment.(BOI)	Balance Figure Audit Co., Ltd.	415,000	-
Total Non-audit fee				415,000	-

### The foregoing information:

- ☒ is complete and accurate, and I certify that to the best of my knowledge there is no other remuneration paid by the Company to me and related persons and to the company I work for and its related persons.
- ☐ is not complete and not accurate in respect of .....

After making any necessary adjustments to the information contained in this form, I hereby certify that such information presents complete and accurate details of all Audit fees and Non-Audit fees paid by the Company to me and the audit firm that I work for.



(Mrs. Sirinee Nakwijit)

Balance Figure Audit Co.,Ltd.

Auditor of TICON Industrial Connection Public Company Limited



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