

# LEADER OF SUPERIOR QUALITY

Warehouses and Factories for Lease



**TICON**

Annual Report 2015

TICON Industrial Connection Public Company Limited



9



12



10

# CONTENT

Message from the Chairman of the Board	4
Report of the Audit Committee on Corporate Governance	6
Report of the Risk Management Committee	8
Financial Highlights	9
Factory/Warehouse	10
Social Responsibilities	12
Board of Directors and Management	14
General Information	21
Overview of Business	24
Nature of Business	31





Key Risks	44
Shareholding Structure	47
Management	48
Corporate Governance	63
Internal Control and Risk Management	90
Connected Transactions	94
Management Discussion and Analysis	98
Statement of Directors' Responsibilities Concerning the Company's Financial Report	116
Financial Statements	117
Certification of the Accuracy of Auditors' Remuneration	202

# MESSAGE FROM THE CHAIRMAN OF THE BOARD



2015 remained as challenging as 2014 for the world and for Thailand. Global economic growth slowed to a growth rate of merely 2.4 percent, according to the World Bank. The value of Thai exports dropped 5.8 percent from 2014 resulting in a sluggish GDP growth of 2.8 percent for 2015. The factory lease activity was just moderate, with tenants seen from new industries besides electronics and automotive. The warehouse lease business continued to perform well in 2015 due mainly to demand from AEC manufacturers and the logistics industry.

In 2015, we focused on improving the occupancy rate of our factories and warehouses. We limited new construction only at locations where strong customer demand was apparent. In addition, we diversified into a new market by investing in a joint venture in Indonesia to develop warehouses and factories for lease to international firms expecting to benefit from Indonesia's attractive economic growth.

## Factory Lease

Unlike in 2014, Thai politics in 2015 looked stable throughout the year. Peace seemed to have been restored successfully in Thailand. However, disappointing global economic growth and low consumption power of Thai consumers due largely to high household debt negatively impacted the Thai economy, making it sluggish in 2015. Negative export growth due to commodity prices and poor automobile sales in Thailand were two main causes of the modest growth in new leased factory space. Thanks to new SME entrants from a variety of industries, TICON was able to improve our lease of factory space in 2015. More tenant industrial diversification was witnessed as a result.

In 2015, we leased out a total of 40,300 square meters of new factory space to tenants, an increase of 29.7 percent. However, 22,775 square meters of factory space was returned by other tenants, which resulted in a net new leased area of 17,525 square meters. This compares positively to a net new leased factory area of minus 2,200 square meters in 2014. Approximately 59 percent of new tenants in 2015 were from the electronics and automotive industries. On nationality, 35 percent were European tenants and 24 percent were Japanese tenants.

The average occupancy rate of factories in 2015 was 49 percent compared to 62 percent in 2014. While the occupancy rate of factories was a poor 35 percent in Ayudhya, which was the previously flooded zone, there was steady flow of enquiries from potential customers to lease the factory space there of these, several were from the automotive industry and some are European companies. Meanwhile, in the now-popular Eastern Seaboard area of Thailand, the occupancy rate was 72 percent.

## Warehouse Lease

In 2015, consolidation in the logistics industry continued. This resulted in a large expansion amongst logistics specialists in Thailand. Third-party logistics providing companies ("3PL") continued to top our warehouse tenant list; and there was strong demand for very large warehouses and distribution centers ("DC") most of which were built-to-suit. We leased out a total of 97,896 square meters built-to-suit warehouses and DCs in 2015 compared to 62,177 square meters in 2014. Built-to-suit warehouses and DCs were approximately 41 percent of the total new leased warehouse space in 2015 versus 33 percent in the previous year. 3PL providing companies were 61 percent of new warehouse tenants in 2015. On nationality, 37 percent of new tenants were Thai companies and 36 percent were European firms.

We believe that the consolidation in the logistics industry and the demand from both international and local manufacturers for superior quality warehouses will continue to bring in growth in new warehouse leases. Many global top-tier manufacturers demand the use of quality warehouses to store inventory pending distribution into AEC countries. Demand for warehouses and DCs was particularly strong in Bangna and Bangplee. In 2015, there were a total of 33 logistics park locations under the TICON Group. A newly-added logistics park was added under the Group in 2015 was TPARK Bangplee 6.

The average occupancy rate of warehouses increased from 63 percent in 2014 to 68 percent in 2015. This was due mainly to the fast growth of built-to-suit warehouses.

## Investment Activity

Approximately 6.8 billion baht was invested by the Company in 2015 to construct factory and warehouse buildings. There were more built-to-suit warehouses constructed than ready-built buildings since demand for built-to-suit warehouses was greater. Unlike in 2014, land acquisition was minimal in 2015 because the Company already had secured itself enough land at those locations it desired to serve potential customers.

In the second quarter of 2015, the Company set up a new wholly-owned subsidiary company, TICON (Hong Kong), as a holding company to invest in factory and warehouse developing business outside Thailand. The Company co-established a joint venture firm (namely "PT SLP Surya TICON Internusa") in Indonesia with a local partner named Surya Semesta Internusa or SSIA, and Mitsui & Co., to develop factories and warehouses for lease in Indonesia. TICON (Hong Kong) holds 25percent stake, Mitsui & Co. equally has 25 percent stake and SSIA has 50percent stake in the JV firm.

In the fourth quarter of 2015, the Company worked with TREIT to have the fund capital raised to buy and lease 155,182 square meters of both warehouse and factory space from TICON Group. The combined value of properties sold to TREIT was 3.2 billion Baht. Additionally, the Company sold 23-rai from its land portfolio in Bangplee to a buyer for an amount of 260 million Baht.

On December 31, 2015 the TICON Group had 20 percent investment in TREIT, up from 12 percent in 2014.

## Overall Performance

In 2015, the net profit of the Company was 769.7 million Baht, an increase of 1.2 percent from the net profit in 2014. Rental and related service income, which was the Company's core business income, rose 8.5 percent from 966.1 million Baht in 2014 to 1,048.5 million Baht in 2015. Property sales income dropped 26.6 percent from 4.56 billion Baht in 2014 to 3.35 billion Baht in 2015 since there were fewer properties sold to TREIT than the previous year. Total income posted a 17.1 percent drop from 5.86 billion Baht in 2014 to 4.85 billion Baht in 2015, again mainly due to fewer properties transacted to trust funds.

The Company sold partial investment in three property funds (TFUND, TLOGIS and TGROWTH) in the fourth quarter of 2015 and booked a total gain of 354.0 million Baht --including deferred gain realized from the sales. Property management fee income, which the Company earned from being the property manager of TFUND, TLOGIS, TGROWTH and TREIT, increased 23.5 percent from 165.3 million Baht in 2014 to 204.1 million Baht in 2015.

## Outlook

For 2016, we expect the world economy and consequently the Thai economy will remain sluggish. The over-capacity in production worldwide will continue to depress demand for standard factories. As well, the structural changes in the Thai manufacturing landscape from labor intensive production to robotic process will continue. Lastly, the implementation of the AEC integration will lead to further demand in quality warehouses and distribution centers. Under such scenarios, TICON Group's strategies are:

- Emphasizing on improving occupancy of standard factories (and less capital expenditures for rental factories construction in Thailand).
- Enlarging warehouse portfolio of TICON Group to take advantage of AEC interconnectivity.
- Diversifying into new AEC markets to capitalize on the experience of TICON.

The Company has a clear competitive edge over its peers through its long partnership with customers, strong on-site property management and maintenance service, and its trusted, in-house Japanese and Chinese speaking marketing teams.

It is important for TICON Group to have warehouses in strategic regional locations. Warehouse construction in KhonKaen and Lumphun logistics parks will be completed in 2016. These two locations are prime areas for our potential customers to set up distribution centers, cross-dock warehouses, consolidation/deconsolidation warehouses. In 2016, more built-to-suit warehouse demand is expected from third-party logistics providing firms in the wake of the AEC network.

Lastly, aside from the Company's 25percent Indonesian stake of PT SLP Surya for lease in the high-end Indonesian warehouse and factory market, TICON is interested in investing in Vietnam and is now looking for a suitable local partner there. Profit contribution from overseas investment will have a major role in the Company's earnings in the 3-5 year horizon.



Mr. Chali Sophonpanich  
Chairman of the Board



# REPORT OF THE AUDIT COMMITTEE ON CORPORATE GOVERNANCE FOR THE YEAR 2015

## 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. Threekwan Bunnag, and Mr. Chatchaval Jiaravanon.

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 2015, 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 2015 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.



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

## 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, prevention or minimization of errors, losses 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 laws relevant to its business. 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 the mission, scope of work, duties and responsibilities, manpower and remuneration of the Internal Auditor Department, as well as approved the 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 2015, the internal audit strategic plan has been revised by outsourcing the internal audit function to improve the efficiency of work and to support business expansion plans in domestic and overseas investments. In 2015, the internal auditor focused on reviewing the information procurement process, the fixed asset control process and overall risk assessment. The Internal Auditor has reviewed the Company's operating procedures and operating systems to ensure that they are in compliance with relevant rules and regulations, and given advice and recommendations to improve operating procedures in response to current situations. The Audit Committee has the opinion that the Company's internal audit system is sufficient, appropriate and effective, and the Internal Auditor is independent in performing its duties.

## 5. Recruiting the External Auditors.

For the year 2015, 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 EY Office Limited, comprising Mr. Sophon Permsirivallop, Certified Public Accountant Registration number 3182 (who served as the Company's external auditor during 2004 – 2008) and/or Ms. Pimjai Manitkajohnkit, Certified Public Accountant number 4521 and/or Ms. Rosaporn Decharkom, Certified Public Accountant number 5659 and/or Ms. Sumana Punpongsonon, Certified Public Accountant number 5872, to serve as the Company's external auditor for the year 2015, with remuneration at the same amount as the previous year of 800,000 Baht. The proposal was submitted to the Board of Directors and the 2015 Annual General Meeting of Shareholders for approval.

## 6. Participation in the Collective Anti-Corruption Project (CAC)

On March 13, 2015 the Company enlisted in the declaration of intention by the Private Sector Collective Action Coalition against Corruption (CAC). Policy amendment is underway for assessment by Internal Auditor and the Audit Committee for the Company's request for certification from CAC.

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.

# REPORT OF THE COMPANY RISK MANAGEMENT COMMITTEE FOR THE YEAR 2015

TICON's Risk Management Committee, appointed by the Board of Directors, comprises seven qualified members. The members are Mr. Threekwan Bunnag (independent director) – the Chairman, Mr. Virapan Pulges, Dr. Somsak Chaiyaporn, Mr. Patan Somburanasin, Miss Lalitphant Phiriyaphant, Mr. Samart Rusmeerojwong, and Mr. Peerapat Srisukont.

The Committee has performed its duties as assigned by the Board of Directors, and in compliance with the practices and guidelines for the Risk Management Committee, which in line with the international standard. The Company focuses on managing four categories of risk – Strategic Risk, Operational Risk, Compliance Risk, and Financial Risk. During the year 2015, the Committee held four meetings. The discussions in the Meetings are summarized as follows:

## 1. Strategic Risk

Due to the continuous slowdown of the global economy in 2015 and 2016, and the fragile and unstable financial structure in all regions, along with the flow of capital to high return investments, it becomes more challenging to make a strategic plan. Furthermore, the establishment of the AEC (ASEAN Economic Community) gives not only opportunities but also risks to production and logistics provider industries. Therefore, to remain the industry leader, the Company is continuously improving its employee capabilities and working processes to ensure more effectiveness and efficiency.

Considering Foreign Direct Investment (FDI) in Thailand, compared with other ASEAN neighboring countries, there are both advantages and disadvantages. The main attractions in Thailand are good infrastructure, skilled workers and good geographical location, all of which contributed towards Thailand becoming the logistics hub in ASEAN, especially for the electronics and automotive industries which have benefited greatly. However, the main disadvantages of conducting FDI in Thailand are high labour cost, compared with its neighboring countries, and insufficient workers. Furthermore, Thailand has become an ageing society. Due to the pros and cons of FDI in Thailand, several labor-incentive industries are moving to neighboring countries which have lower labour cost and plenty of workers such as Indonesia, Vietnam and Cambodia. In order to mitigate risks and enhance opportunities, the Company plans to expand its business interests to overseas markets. In 2015, the Company started to expand into Indonesia, the largest population in ASEAN. The Company recognizes differences in various aspects: political view, economy, social situation and cultural differences which can all produce business risks. The Company, together with its joint venture business partners, has carefully investigated details regarding each of these factors. By this, the foreign investment risk can be managed and help the Company's investment to achieve its objectives with sustainable growth.

Due to changes in production technology in Thailand, from labour-intensive to more technology-intensive industry, the Company is more focused on construction of built-to-suit factories and/or warehouses for rent. The Company is applying new technology in construction according to international standards, and on adopting the LEED (Leadership in Energy and Environmental Design) Building Standard, which is one of the world's most universally accepted standards for eco-friendly building designs, in order to transform its factories and warehouses into genuine 'Green Factories and Warehouses'. The Company uses an external professional consultant to provide advice. The Company does not only aspire to be environmentally friendly while creating sustainable growth, but it also wishes to serve customers who are concerned about the environment.

## 2. Operational Risk

Operational Risk includes injury and accident at work, political instability, natural disasters, and other threats. To effectively provide safety in workplace, the Company's Committee of Occupational Safety, Health and Work Environment of the Workplace was set up.

For the flood risk area as Ayudhaya province, the Company installed flood protection pumps and prepared adequate sand bags as well as training a working team to be ready for flooding should it happen again.

## 3. Compliance Risk

**Legal Limitation Risk:** Due to the continual business expansion, both domestic and overseas, the Company manages an efficient response plan by preparing a team of legal experts to study and analyze legal limitations as well as any problem to the Company's business expansions.

## 4. Financial Risk

**Capital Sufficiency Risk:** Due to the Company's capital intensive business, the Company needs sufficient funding at an appropriate cost, to operate its business, increase its flexibility for future expansion, reduce financial risk and present its strong financial status. Therefore, the Company maintains its capital structure with an appropriate ratio of interest-bearing debt to equity, and facilitates appropriate financial instruments when sourcing capital.

For the year 2015, to ensure appropriateness, effectiveness and implementation of the Company's risk management, as well as to ensure that the Company can manage key risks at the acceptable levels, the risk management process has been reviewed constantly to ensure the Company's sustainable growth.



Mr. Threekwan Bunnag  
Chairman of the  
Risk Management  
Committee





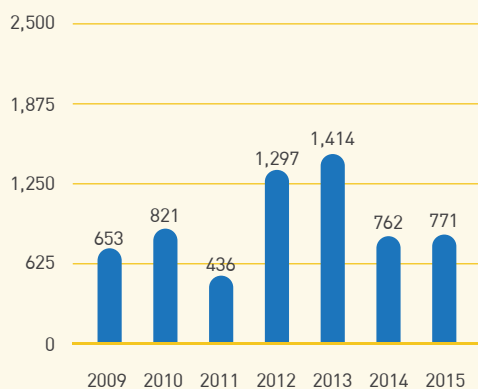
# FINANCIAL HIGHLIGHTS

Unit : Million Baht

	2015	2014	2013
Sales of properties	3,345.61	4,561.28	4,663.04
Rental and service income	1,048.55	966.06	1,109.69
Property management fee from property funds/reit	204.12	165.34	152.59
Share of profit from investments in property funds/reit	248.47	267.13	216.57
Realized additional gain on sales of properties to property funds/reit	246.69	41.37	154.45
Cost of sales of properties	2,401.42	3,192.14	2,886.28
Cost of rental and service	306.39	243.45	261.52
Selling and administrative expenses	756.89	769.45	715.60
Net profit	770.96	761.57	1,414.23
Assets	36,293.76	31,209.12	26,451.39
Liabilities	24,604.26	19,743.50	17,763.63
Shareholders' equity	11,689.50	11,465.62	8,687.76
Return on equity (%)	6.65	7.59	17.05
Return on fixed assets (%)	4.63	5.15	10.06
Dividend pay-out (%)	71.40	72.15	64.61

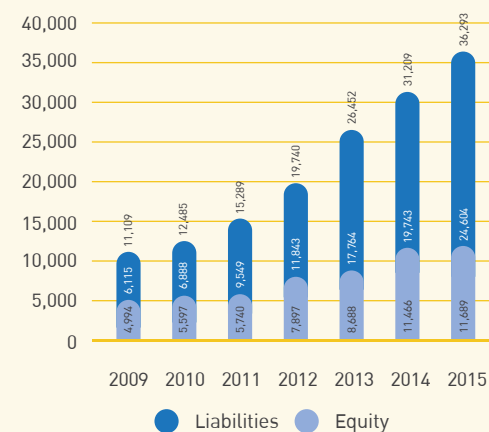
## Net Profit

Million Baht



## Total Assets

Million Baht

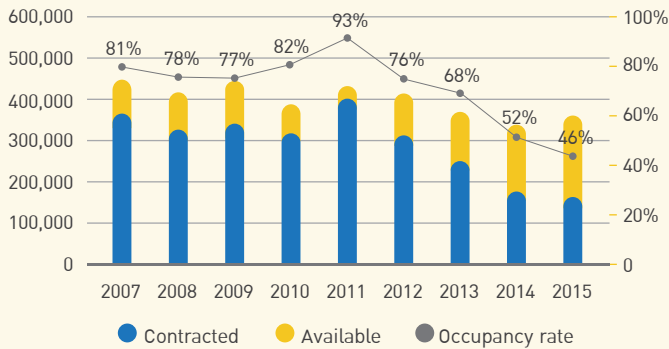


# Factory & Warehouse

## Factory

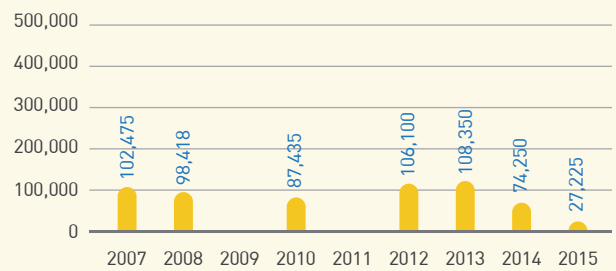
### TICON

Sq.M.



### Sales to FUNDS/REIT

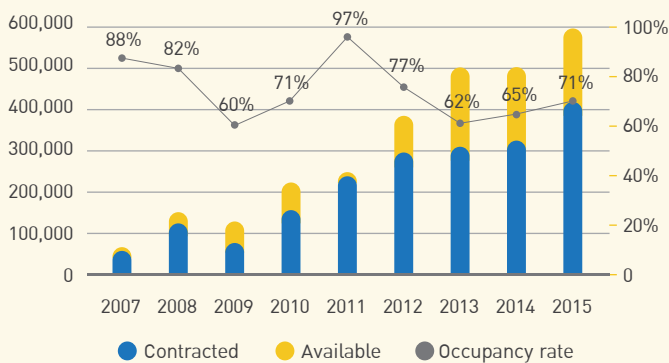
Sq.M.



## Warehouse

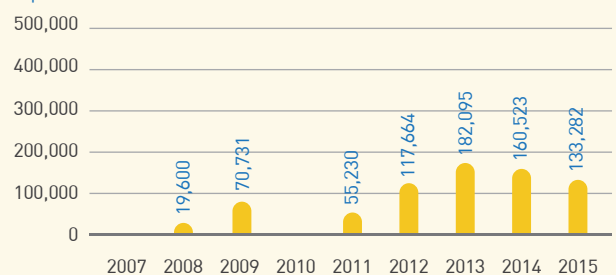
### TICON

Sq.M.



### Sales to FUNDS/REIT

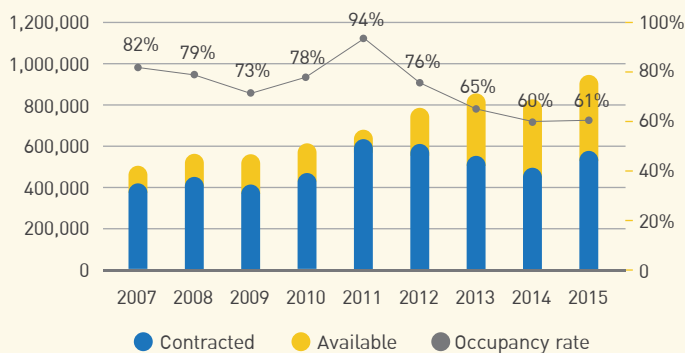
Sq.M.



## Factory & Warehouse

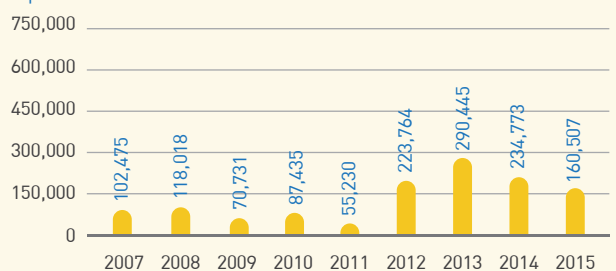
### TICON

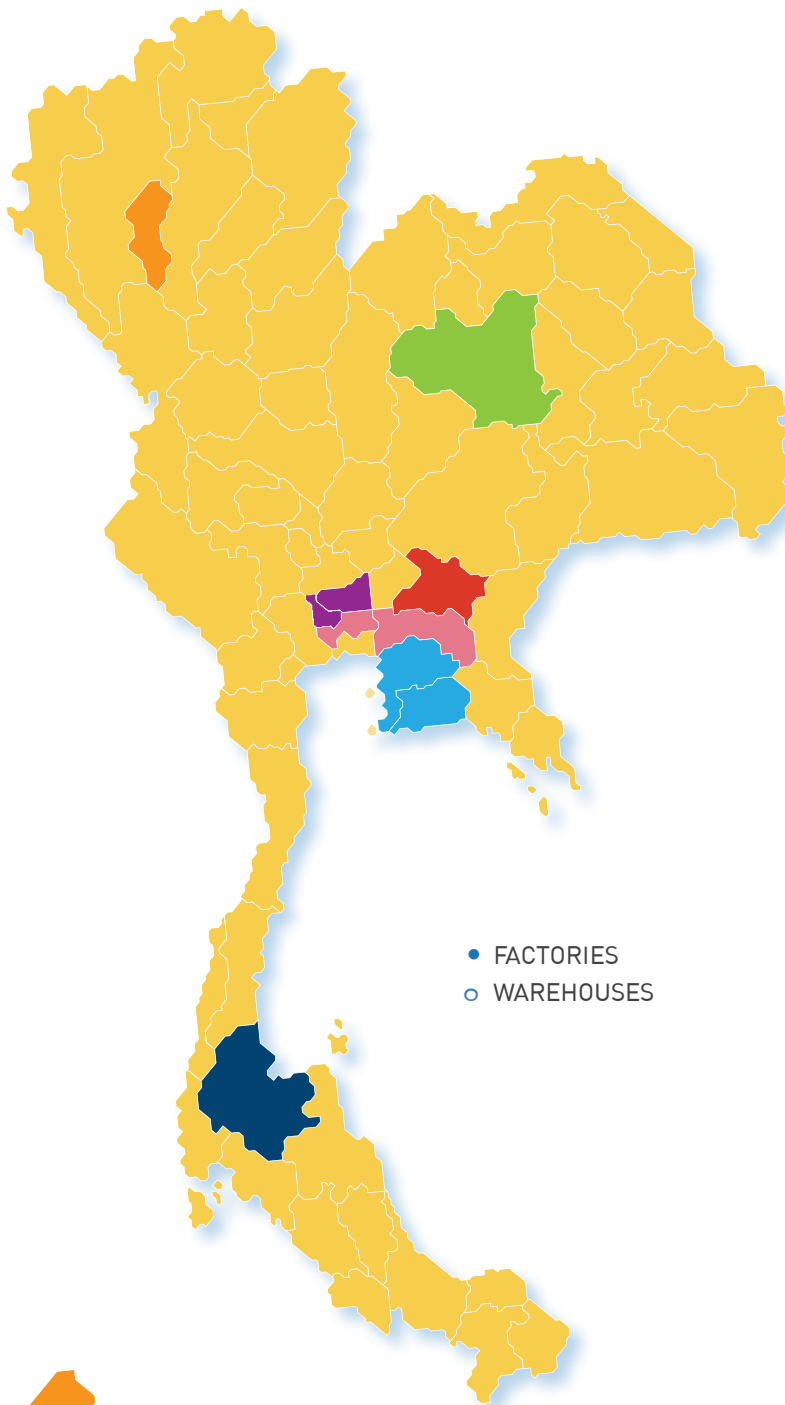
Sq.M.



### Sales to FUNDS/REIT

Sq.M.





- FACTORIES
- WAREHOUSES



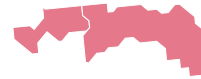
#### NORTHEASTERN THAILAND ZONE

- TPARK KHONKAEN



#### EASTERN THAILAND ZONE

- KABINBURI INDUSTRIAL ZONE
- ROJANA INDUSTRIAL PARK (PRACHINBURI)
- TPARK ROJANA (PRACHINBURI)



#### EASTERN BANGKOK ZONE

- LADKRABANG INDUSTRIAL ESTATE
- BANGPOO INDUSTRIAL ESTATE
- ASIA INDUSTRIAL ESTATE
- TPARK BANGNA
- TPARK BANGPAKONG
- TPARK LADKRABANG
- TPARK BANGPLEE (6 LOCATIONS)
- TPARK RAMA 2



#### EASTERN SEABOARD ZONE

- AMATA NAKORN INDUSTRIAL ESTATE
- HEMARAJ CHONBURI INDUSTRIAL ESTATE
- LAEMCHABANG INDUSTRIAL ESTATE
- PINTHONG INDUSTRIAL ESTATE (4 LOCATIONS)
- AMATA CITY INDUSTRIAL ESTATE
- ROJANA INDUSTRIAL PARK (RAYONG)
- TPARK AMATA NAKORN
- TPARK BOWIN
- TPARK SRIRACHA
- TPARK LAEMCHABANG (2 LOCATIONS)
- TPARK PHAN THONG (3 LOCATIONS)
- TPARK EASTERN SEABOARD 1 (3 LOCATIONS)
- TPARK EASTERN SEABOARD 2 (2 LOCATIONS)
- TPARK EASTERN SEABOARD 3
- TPARK AMATA CITY



#### NORTHERN THAILAND ZONE

- TPARK LAMPHUN



#### SOUTHERN THAILAND ZONE

- TPARK SURAT THANI



#### NORTHERN BANGKOK ZONE

- ROJANA INDUSTRIAL PARK (AYUDHYA)
- HI – TECH INDUSTRIAL ESTATE
- BANGPA – IN INDUSTRIAL ESTATE
- NAVANAKORN INDUSTRIAL PROMOTION ZONE
- TPARK ROJANA (AYUDHYA)
- TPARK WANGNOI (3 LOCATIONS)



# TICON SOCIAL RESPONSIBILITIES

## On Society / People – Create work & learn environment for employees

TICON encourages its Thai employees to learn English from their foreign colleague at the office so they can develop English language skill for use at work and everyday life.



## On Society / People – Aim for every employee to become healthy

TICON consistently has campaigns for its employees to play sports with colleagues. Playing sports not only promotes individual health but also teamwork. Employees' work efficiency and effectiveness gets improved as a result. TICON arranged for its employees to use gym, swimming pool and tennis court at The Somerset Park Suanplu free of charge. In addition, employees can play futsal or badminton games at futsal fields or badminton courts without paying rental fees since TICON will handle the fees for them.



source: [www.somerset.com](http://www.somerset.com)

## On Environment – Green buildings help reduce global warming

TICON and subsidiary company are among very few developers in Thailand who develop green factories and warehouses for lease. Both the green factory and warehouse of TICON were certified under the LEED (Leadership in Energy and Environmental Design) program to have been constructed to comply with global standard of green building.

### TICON's Green Factory



## On Society / Community – Giving is sharing

TICON and subsidiary company donated office equipment e.g. chairs and computer sets to WatSuanKaew Foundation in Nonthaburi province. TICON has donated to the Foundation already for many years.



TICON and subsidiary company donated desktop computer sets and computer desks to Sri UdomWittaya School at Chee Nam Rai, Inburidistrict of Singhburi province.



TICON donated 200,000 Thai baht to help Nepal's earthquake victims. The donation was made through Thai Industrial Estate Foundation under the campaign "Thai Industrial Estates Unite to Help Nepal."



TICON and subsidiary company donated computer equipment and office furniture i.e. chairs and partition boards to WatSuanKaew Foundation in Nonthaburi.



## TICON's Green Warehouse





# Board of Directors and Management



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

Age: 55 years

**Education:**

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

**Shareholding :**

- 3.30 percent (as at March 14, 2016)

**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: 65 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, 2016)

**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: 42 years

**Education:**

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

**Shareholding:**

- - None - (as at March 14, 2016)

**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)
- 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. Nate Charanvas**  
**Director**

Age: 52 years

**Education:**

- Master of Business Administration, University of New Haven
- Director Accreditation Program 2003, Thai Institute of Directors Association

**Shareholding:**

- - None - (as at March 14, 2016)

**Relationship among directors/management:**

- - None -

**Related experience:**

**2011 – Present**

- Director, Bangkok Office 3 Co., Ltd.
- Director, Bangkok Office 4 Co., Ltd.



## Mr. Virapan Pulges Director and Managing Director

Age: 55 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
- Certificate of Completion, Master Class of National Association of Corporate Directors, United State of America, 18 – 19 August 2014

### Shareholding:

- 1.01 percent (as at March 14, 2016)

### Relationship among directors/management:

- - None -

### Related experience:

#### 2015 – Present

- Director, TICON (HK) Limited. (Overseas Investment)

#### 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: 73 years

### Education:

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

### Shareholding:

- 0.08 percent (as at March 14, 2016)

### 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: 54 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, 2016)

**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: 59 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, 2016)

**Relationship among directors/management:**

- - None -

**Related experience:**

**2008 – Present**

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

**2012 – Present**

- Director, Emerald Bay Resort Co., Ltd. (Property)

**2012 – Present**

- Director, Emerald Bay Villa Co., Ltd. (Property)

**2009 – 2012**

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



# MANAGEMENT

## Dr. Somsak Chaipayorn

General Manager

Age

64 years

Education

Docteur Ingenieur (Mecanique), Ecole Centrale de Lyon

Shareholding

0.01 percent (as at March 14, 2016)

Relationship among directors/management

- None -

Related experience

1997 – Present

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

## Mr. Peerapat Srisukont

Deputy General Manager

Age

47 years

Education

Master of Science in Engineering,  
Texas A&M University, Kingsville  
Master of Business Administration,  
Mahidol University International College

Shareholding

- None - (as at March 14, 2016)

Relationship among directors/management

- None -

Related experience

- None -

## Mr. Kris Weerakul

Deputy General Manager – International Business Development

Age

46 years

Education

Master of Science in Civil Engineering, Oregon State University

Shareholding

0.00 percent (as at March 14, 2016)

Relationship among directors/management

- None -

Related experience

- None -

## Miss Lalitphant Phiriyaphant

Chief Financial Officer and Company Secretary

Age

50 years

Education

Master of Economics, Thammasat University

Shareholding

0.00 percent (as at March 14, 2016)

Relationship among directors/management

- None -

Related experience

2015 – Present

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

2015 – Present Director,

TICON (HK) Limited (Overseas Investment)

2013 – 2014

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

## Mr. Samart Rusmeerojwong

Chief Investor Relation

Age

49 years

Education

Master of Business Administration, Notre Dame de Namur University

Shareholding

- None - (as at March 14, 2016)

Relationship among directors/management

- None -

Related experience

- None -

## Mr. Somsak Ratanavirakul

Head of Marketing 1

Age

56 years

Education

Master of Business Administration, Chulalongkorn University

Shareholding

0.00 percent (as at March 14, 2016)

Relationship among directors/management

- None -

Related experience

1996 – 2004

Project Planning Manager,

Thai Factory Development Public Co., Ltd. (Property)

## Mrs. Yuko Hoshi

Head of Marketing 2

Age

45 years

Education

Bachelor of Social Science, Chiba University

Shareholding

0.00 percent (as at March 14, 2016)

Relationship among directors/management

- None -

Related experience

- None -

## Miss Siriporn Sombatwatthana

Head of Administration

Age

53 years

Education

Bachelor of Business Administration, Assumption University

Shareholding

1.53 percent (as at March 14, 2016)

Relationship among directors/management

- None -

Related experience

- None -

## Mr. Sittisak Thareerat

Head of Legal

Age

52 years

Education

Bachelor of Laws, Ramkhamhaeng University

Shareholding

0.00 percent (as at March 14, 2016)

Relationship among directors/management

- None -

Related experience

- None -

## Miss Rungtip Piyayodilokchai

Head of Accounting

Age

45 years

Education

Master of Business Administration, Monash University

Shareholding

0.00 percent (as at March 14, 2016)

Relationship among directors/management

- None -

Related experience

- None -

## Miss Pornpimol Supawiratbancha

Head of Finance

Age

40 years

Education

Master of Business Administration, Thammasat University

Shareholding

0.00 percent (as at March 14, 2016)

Relationship among directors/management

- None -

Related experience

- None -

## Mr. Apinat Mekloi

Head of Information Technology

Age

41 years

Education

Bachelor of Engineering, Kasembundit University

Shareholding

0.00 percent (as at March 14, 2016)

Relationship among directors/management

- None -

Related experience

- None -

## Miss Waranya Intarapirot

Head of Purchasing

Age

47 years

Education

Bachelor of Liberal Arts, Thammasat University

Shareholding

0.00 percent (as at March 14, 2016)

Relationship among directors/management

- None -

Related experience

- None -

## Miss Primopa Natchajaruwit

Head of Property Management

Age

38 years

Education

Bachelor of Arts in Journalism and Mass Communication,  
Thammasat University

Shareholding

0.00 percent (as at March 14, 2016)

Relationship among directors/management

- None -

Related experience

- 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	www.ticon.co.th
E-mail address	ticon@ticon.co.th
Registered capital	Baht 1,115,941,811 (As at March 14, 2015)
Paid-up capital	Baht 1,099,142,375 (As at March 14, 2015)
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 14, 2015)
Paid-up capital	Baht 50,000,000 (As at March 14, 2015)
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	www.ticonlogistics.com
E-mail address	logistics@ticon.co.th
Registered capital	Baht 14,500,000,000 (As at March 14, 2015)
Paid-up capital	Baht 14,500,000,000 (As at March 14, 2015)
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 14, 2015)
Paid-up capital	USD 2,800,000 (As at March 14, 2015)

### **TICON Management Company Limited**

Type of business	REIT manager
Shareholder	TICON Industrial Connection Public Co., Ltd. holds 70 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 14, 2015)
Paid-up capital	Baht 10,000,000 (As at March 14, 2015)
Par value	Baht 10 per share

### **TICON (HK) Limited**

Type of business	Overseas Investment
Shareholder	TICON Industrial Connection Public Co., Ltd. holds 100 percent.
Head office address	Room 337, 3/F South China C.S. Building 13-17 Wah Sing Street, Kwai Chung, N.T. Hong Kong
Paid-up capital	USD 11,615,000 (As at March 14, 2015)

## JOINT VENTURES

### TICON Demco Power 6 Company Limited (Investment by Subsidiary)

Type of business	Electricity generator and distributor
Shareholder	TICON Logistics Park Company Limited holds 51 percent.
Head office address	59 Moo1, Tambol Suan Prik Thai, Amphur Muang, Patumthani 12000 Tel: (662) 959-5811-5 Fax: (662) 959-5822
Registered capital	Baht 5,000,000 (As at March 14, 2015)
Paid-up capital	Baht 5,000,000 (As at March 14, 2015)
Par value	Baht 100 per share

### TICON Demco Power 11 Company Limited (Investment by Subsidiary)

Type of business	Electricity generator and distributor
Shareholder	TICON Logistics Park Company Limited holds 51 percent.
Head office address	59 Moo1, Tambol Suan Prik Thai, Amphur Muang, Patumthani 12000 Tel: (662) 959-5811-5 Fax: (662) 959-5822
Registered capital	Baht 4,000,000 (As at March 14, 2015)
Paid-up capital	Baht 4,000,000 (As at March 14, 2015)
Par value	Baht 100 per share

## OTHER RELATED PERSONS

<b>Share registrar</b>	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
------------------------	---

<b>Auditor</b>	Mr. Sophon Permsirivallop, CPA (Thailand), Registration No. 3182 EY Office Limited 33 <sup>rd</sup> Floor, Lake Rajada Office Complex 193/136-137 New Rajadapisek Road, Klongtoey, Bangkok 10110 Tel: (662) 264-9090 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**

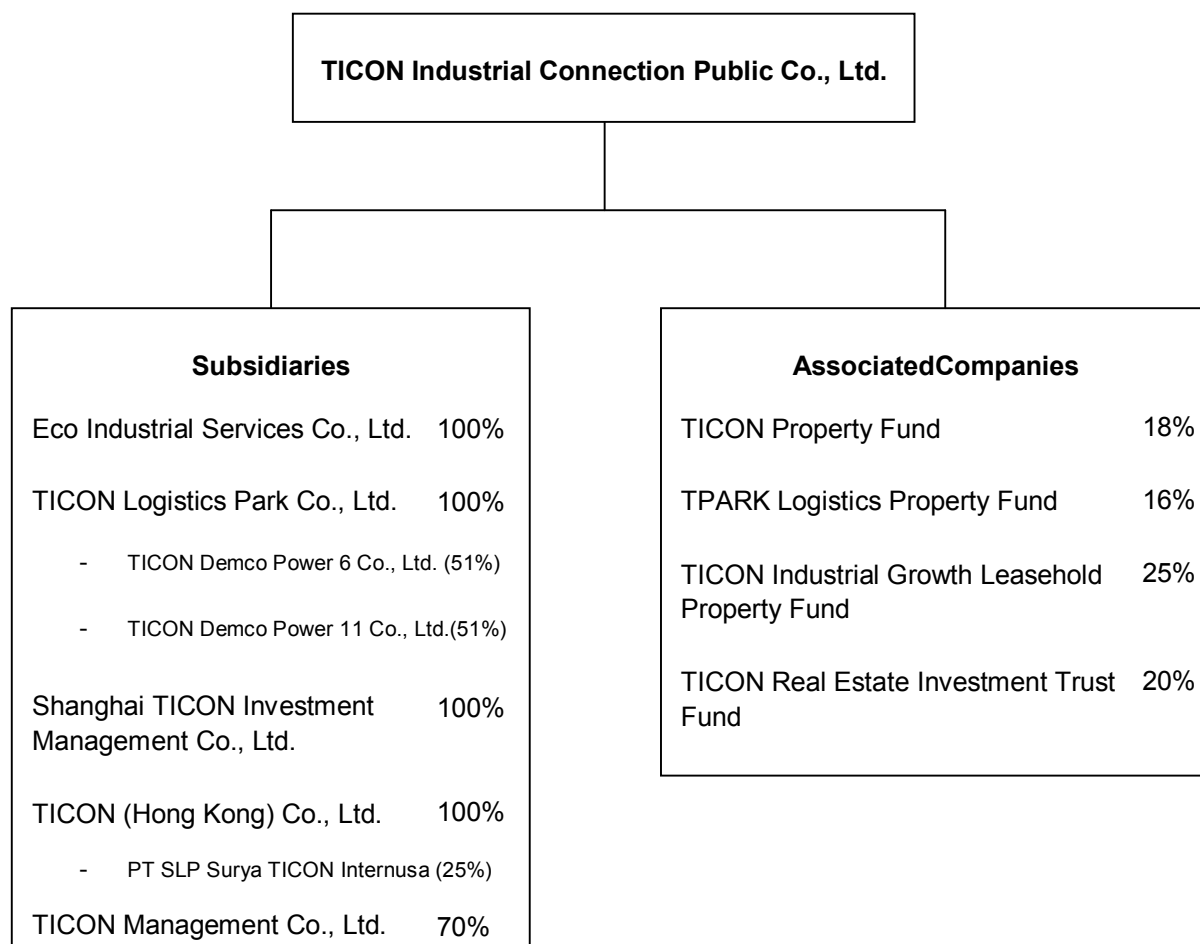
In 2015, the Company invested another Baht 6.8 billion in construction. Of those, Baht 1.3 billion was spent to develop ready built factories and Baht 5.5 billion was spent on building warehouses to serve growing demand for warehouses and distribution centers in Bangkok's suburban area including Bangplee in Samut Prakarn and Wang Noi in Phra Nakorn Sri Ayudhya. The Company's net new warehouse leasing was 203,812 square meters while it was 17,525 square meters for the factory business.

The net new warehouse leasing increased 21 percent from what it was in 2014. That was owing mainly to the high demand for warehouses and distribution centers in Thailand's fast growing logistics industry and steady expansion of local retailers which resulted in more income from the warehouse business.

The Company had positive net new factory leasing while in 2014, it had been negative. The reason was because there had been more new factory space leased than the returned space in 2015. Investment slowdown in electronics and automotive industries continued to negatively impact the Company's new factory leasing and average occupancy in 2015. However, the impact was mitigated by massive growth in the Company's warehouse leasing business.

Moreover, the Company in 2015 managed to set up a new subsidiary company named TICON (Hong Kong) Company Limited to invest and hold shares in the joint venture firm, PT SLP Surya TICON Internusa, co-founded by TICON in Indonesia to develop factories and warehouses for lease in the country. The joint venture firm has operated business since it was late 2015.

### 3. SHAREHOLDING STRUCTURE OF TICON GROUP AS OF 31 DECEMBER 2015



TICON has 5 subsidiary companies named Eco Industrial Services Co., Ltd. ("EISCO"), TICON Logistics Park Co., Ltd. ("TPARK"), Shanghai TICON Investment Management Co., Ltd., TICON (Hong Kong) Co., Ltd., and TICON Management Co., Ltd. ("TMAN"). TICON and EISCO are providers of ready-built factories for lease, while TPARK provides logistics warehouses for lease. Shanghai TICON Investment Management Co., Ltd. and TICON (Hong Kong) Co., Ltd. were founded to seek new business opportunities in China and in other countries. TMAN was set up to become REIT manager of trust funds. Details of each **Subsidiary** are as follows:

**1. Eco Industrial Services Co., Ltd. (“EISCO”)**

TICON has 100 percent stake 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 December 31, 2015, 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 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, Wang Noi, Sriracha and Laem Chabang 2, as well as for development of a number of warehouses in Hemaraj Chonburi Industrial Estate (Bowin).

As of December 31, 2015, TPARK had registered and paid-up capital of Baht 19,500 million. In 2009, TPARK was granted ISO 9001:2008 certification.

**3. Shanghai TICON Investment Management Company Limited (“SH-TICON”)**

TICON has 100 percent stake in SH-TICON. SH-TICON was registered in China in July 2010 to explore business opportunities in relation to the real estate investment in China. It currently is in the process of seeking investment opportunity.

As of December 31, 2015, SH-TICON had registered and paid-up capital of USD 2.8 million.

**4. TICON (Hong Kong) Company Limited (“TICON-HK”)**

TICON has 100 percent stake in TICON-HK. This subsidiary was registered in Hong Kong in April 2015, to explore business opportunities in relation to the real estate investment and property development in foreign countries other than China. Recently, it has invested in PT SLP Surya TICON Internusa in Indonesia.

As of December 31, 2015, TICON-HK had registered and paid-up capital of USD 11.6 million.



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

TICON has 70 percent stake in TMAN. TMAN was set up in May 2013 for the purpose of being a REIT manager. In August 2014, TMAN received SEC’s approval to become REIT manager. In October 2014, TICON sold 300,000 shares equivalent to 30 percent stake in TMAN to Mitsui & Co. (Asia Pacific) Pte. Ltd.

As of December 31, 2015, TMAN had registered and paid-up capital of Baht 10 million.

TICON also has investment in joint venture companies which are TICON Demco Power 6 Company Limited and TICON Demco Power 11 Company Limited through the holding of its subsidiary with the objective to develop projects on electricity generation from solar power for sales. Another joint venture, PT SLP Surya TICON Internusa has the objective to develop factories and warehouses for lease in Indonesia.

### **1. TICON Demco Power 6 Company Limited (“TICON DEMCO 6”)**

TPARK holds 51 percent stake in the Company. At present, TICON Demco Power 6 Co., Ltd. is in the process of developing projects on electricity generation from solar power for sales.

As of December 31, 2015 TICON DEMCO 6’s registered and paid-up capital was Baht 5 million.

### **2. TICON Demco Power 11 Company Limited (“TICON DEMCO11”)**

TPARK holds 51 percent stake in the Company. At present, TICON Demco Power 11 Co., Ltd. is in the process of developing projects on electricity generation from solar power for sales.

As of December 31, 2015 TICON DEMCO 11’s registered and paid-up capital was Baht 4 million.

### **3. PT SLP Surya TICON Internusa (“SLP”)**

TICON-HK holds 25 percent stake in this joint venture firm. The firm develops both factories and warehouses for lease inside industrial estates in Indonesia.

As of December 31, 2015 SLP’s registered and paid-up capital was USD46.4 million.

TICON also has investment in **Associated Companies**; TICON Property Fund, TPARK Logistics Property Fund, TICON Industrial Growth Leasehold Property Fund, and TICON Real Estate Investment Trust Fund, details of which are as followings:

#### **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 11,825 million. TFUND raised capital for the first time in 2005, following with another six rounds of capital raising from 2006 - 2012. At present, TFUND has 236 factories (with total useable area of 561,000 square meters) and 8 warehouses (with total useable area of 19,600 square meters). Both TICON and TPARK are not subject to any obligation to buy back those properties from TFUND.

TICON and TPARK were signed up as property managers to manage all of the properties sold to and collect property management fees from TFUND.

TFUND has a policy to pay dividends of no less than 90 percent of the net profit which is not subject to corporate income tax. The payment will be made twice a year at minimum. As at December 31, 2015, the NAV of TFUND was Baht 11.2685 per unit.

At the end of December 2015, TICON had investment in TFUND equivalent to 18.5 percent of its 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 4,469 million. TLOGIS raised capital for the first time in 2009, following with another two rounds of capital raising from 2011-2012. At present, TLOGIS has 63 warehouses (with total useable area of 243,625 square meters). Some of the fund's income, amounting to Baht 187.5 million per annum, has been guaranteed by TICON until it is December 31, 2016. TPARK has not any obligation to buy back those properties from TLOGIS.

TPARK was signed up as property managers to manage all of the properties sold to and collect property management fees from TLOGIS.

TLOGIS has a policy to pay dividends of no less than 90 percent of the net profit which is not subject to corporate income tax. The payment will be made twice a year at minimum. As at December 31, 2015, the NAV of TLOGIS was Baht 11.7246 per unit.

At the end of December 2015, TICON had investment in TLOGIS equivalent to 16.2 percent of its 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. At present, TGROWTH has 40 factories (with total useable area of 121,175 square meters) and 50 warehouses (with total useable area of 182,095 square meters). Both TICON and TPARK are not subject to any obligation to buy back those properties from TGROWTH.

TICON and TPARK were signed up as property managers to manage all of the properties sold to and collect property management fees from TGROWTH.

TGROWTH has a policy to pay dividends of no less than 90 percent of the net profit which is not subject to corporate income tax. The payment will be made twice a year at minimum. As at December 31, 2015, the NAV of TGROWTH was Baht 10.1960 per unit.

At the end of December 2015, TICON had investment in TGROWTH equivalent to 25.5 percent of its total issued units.

#### **TICON Real Estate Investment Trust Fund (“TREIT”)**

TREIT, a listed trust fund on the Stock Exchange of Thailand, was established in December 2014 for the purpose of investment in industrial properties owned by TICON/TPARK and/or other developers. TICON Management Company Limited or TMAN is the REIT manager of TREIT.

Presently, TREIT has capital from the trust unit holders of Baht 5,542 million. TREIT raised capital for the first time in 2014, following with another round of capital raising in 2015. At present, TREIT has 27 factories (with total useable area of 75,900 square meters) and 71

warehouses (with total useable area of 293,805 square meters). Both TICON and TPARK are not subject to any obligation to buy back those properties from TREIT.

TICON and TPARK were signed up as property managers to manage all of the properties sold to and collect property management fees from TREIT.

TREIT has a policy to pay dividends of no less than 90 percent of the net profit which is not subject to corporate income tax. The payment will be made twice a year at minimum. As at December 31, 2015, the NAV of TREIT was Baht 9.8823 per trust unit.

At the end of December 2015, TICON had investment in TREIT equivalent to 20.0 percent of its total issued trust units.

The previous sales of properties to property funds helped provide the Company with alternative source of fund for its business expansion, in addition to funds from operating activities and various credit facilities. Decisions as to whether to sell properties in TICON/TPARK to TFUND, TLOGIS or TGROWTH were made after analyzing several relevant factors periodically, in order to maximize shareholder value. However, since the beginning of 2014, raising property fund's capital to acquire new assets no longer is allowed by the SEC. Therefore, only TREIT which is REIT fund, can increase capital to buy properties from TICON/TPARK.

TICON has investment 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 throughout Thailand. Factories are located in 15 different locations as follows:

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

\* 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.

Warehouses are located in 29 different locations as shown below:

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

Location	Province
TPARK Sriracha	Chonburi
TPARK Bowin	Chonburi
TPARK Phan Thong(3 Locations)	Chonburi
TPARK Bangpakong	Chachoengsao
TPARK Bangplee (6 Locations)	Samutprakan
TPARK Rojana Prachinburi	Prachinburi
TPARK Khonkaen	Khonkaen
TPARK Surat Thani	Surat Thani
TPARK Amata City	Rayong
TPARK Samutsakorn	Samutsakorn
TPARK Lumpun	Lumphun

## 2. REVENUE STRUCTURE

At present, income from sales of properties to associated companies has become the biggest portion of total revenues owing to substantial sales of factories/warehouses to property/REIT fund each year. However, because the Company's core business is to provide factories/warehouses for rent, rental and service income still has an important role in the Company's revenue structure.

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

Revenue structure	2013		2014		2015	
	Baht mil.	%	Baht mil.	%	Baht mil.	%
Sales of properties	4,663.04	69.80	4,561.28	73.98	3,345.61	62.55
Rental and service income	1,109.69	16.61	966.06	15.67	1,048.55	19.60
Properties management fee from property/REIT funds	152.59	2.28	165.34	2.68	204.12	3.82
Share of profit from investments in property/REIT funds	216.57	3.24	267.13	4.33	248.47	4.65
Realized additional gains on sales of properties to property/REIT funds	154.45	2.31	41.37	0.67	246.69	4.61
Other income	384.70	5.76	163.79	2.67	255.65	4.78
<b>Total</b>	<b>6,681.04</b>	<b>100.00</b>	<b>6,164.97</b>	<b>100.00</b>	<b>5,349.09</b>	<b>100.00</b>

### 3. PRODUCTS AND SERVICES

#### 3.1 Products

##### a. Ready-built factories

TICON develops ready-built factories of World class quality to serve demand from manufacturers who prefer not to own factories (in order to reduce the operating cost and manage the possible risk from uncertainties.) TICON develops factories in various strategic locations. The factories are of standard design to suit most manufacturing processes. With close to 90 percent tenants being foreigners, TICON also offers supplemental services to help its tenants commence their operation in Thailand.

The locations in which TICON develops factories are determined mainly from demand of customers, either at present or in a foreseeable future. Accessibility to seaports, airports and the city of Bangkok is highly relevant, as well as infrastructure quality of industrial estate.

The Company has developed factories both in Export Processing Zone (“EPZ”) and in General Industrial Zone (“GIZ”) following customers’ demand, which was different from location to location. Demand in the Laemchabang Industrial Estate; for instance, being adjacent to Thailand’s deep sea port, tends to be for factories within EPZ.

Every ready-built factory developed by TICON or EISCO is single-storey building with mezzanine office, constructed at their own fenced and landscaped sites, complete with security guard box, parking space and truck loading area. They are of standard design, albeit modified to meet the customers’ requirement. Factory size range starts from 550 to 12,000 square meters, with average size range from 1,500 to 3,000 square meters. Factory’s floor loading capacity is in the range of 1 to 3 metric tons per square meter. Building structure is of steel portal frame construction, which gives customer maximum useable area unobstructed by structural columns.

In addition to the ready-built factories, custom-built factories can also be developed following customers’ own specification and/or requirement.

In general, a typical ready-built factory's lease agreement expires after 3 years. TICON normally offers its tenants options to renew the lease. Moreover, the Company can offer options to exchange the property for other of a different size or location, and even options to buy the property should tenants want to.

Every tenant is required to pay cash deposit equivalent to 3-6 month amount of rent.

At the end of 2013, 2014 and 2015, TICON's factory portfolios are as follows:

	End of 2013		End of 2014		End of 2015	
	No. of factory (Unit)	Building area (Sq M.)	No. of factory (Unit)	Building area (Sq M.)	No. of factory (Unit)	Building area (Sq M.)
Contracted	86	252,190	64	175,080	64	165,380
Available	41	119,475	55	160,200	71	195,250
Under construction	14	39,300	28	67,025	21	41,850
Under site preparation	160	421,975	175	431,650	157	404,100
<b>Total</b>	<b>301</b>	<b>832,940</b>	<b>301</b>	<b>833,955</b>	<b>313</b>	<b>806,580</b>

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

	2013		2014		2015	
	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	40	108,350	3	20,250	2	5,325
Sold to REIT fund	0	0	20	54,000	7	21,900

The 2015 factories' average occupancy rate fell from that in 2014. Main reasons were the decline in new leases and a number of vacant factories still in the flood-affected areas. In addition, the Company sold nearly 100 percent occupancy factories, with a useable area of slightly more than 27,000 square meters, to TREIT and TFUND. In 2015, repeated decline in the Company's factory new lease was due largely to the slowdown of investment in both electronics and automotive sectors. Electronics manufacturers were affected by low global demand for durable goods. Likewise, investment in automotive sector did not increase in 2015 because domestic demand for new cars remained poor. The Company; however, posted positive factory net new lease last year.



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

	2013	2014	2015
Average occupancy rate (%)	73	62	49

At the end of 2015, TICON's customers were in various industries and were varied in their nationality as shown in the table below:

Industry	%	Country/Region	%
1. Auto parts	35	1. Japan	42
2. Electronics/Electricals	27	2. Europe	28
3. Food	7	3. North America	11
4. Metals	4	4. Singapore	7
5. Others (e.g. plastic parts)	27	5. Others(e.g. Thailand, China)	12
<b>Total</b>	<b>100</b>	<b>Total</b>	<b>100</b>

**Note:** The percentages were calculated based on rental and services income received in December 2015.

## b. Warehouses

Development of warehouses which have World class quality is undertaken by TICON Logistics Park Co., Ltd. (TPARK), one of the Company's subsidiaries.

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

The Company's warehouses mainly locate in TPARK's logistics parks throughout the country's strategic logistics locations, suitable for development into distribution center, and so on. The warehouses are designed to suit the modern logistics management systems. Typical warehouse specifications include having good clear heights, having wide column spans, being equipped with dock levelers, and having high floor loading capacities.

As with the factories, the Company offers warehouses on a built-to-suit basis, in addition to providing speculatively-developed ready-built buildings. The Company also offers sale and leaseback option to tenants.

Typically, warehouse lease agreement expires after 3 years. The Company normally offers tenant option to renew the lease. Every tenant is required to pay cash deposit equivalent to 3-6 month amount of rent.

At the end of 2013, 2014 and 2015, TPARK's warehouse portfolios are as follows:

	End of 2013		End of 2014		End of 2015	
	No. of warehouse (Unit)	Building area (Sq M.)	No. of warehouse (Unit)	Building area (Sq M.)	No. of warehouse (Unit)	Building area (Sq M.)
Contracted	47	309,872	73	324,927	80	418,307
Available	62	187,963	65	173,923	66	174,207
Under construction	31	176,604	37	151,797	34	110,641
Under site preparation	207	1,537,082	193	1,865,282	196	2,142,313
<b>Total</b>	<b>347</b>	<b>2,211,521</b>	<b>368</b>	<b>2,515,928</b>	<b>368</b>	<b>2,845,468</b>

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

	2013		2014		2015	
	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	50	182,095	0	0	0	0
Sold to REIT fund	0	0	25	160,523	46	133,282

In 2015, warehouses' average occupancy rate increased from that in 2014. That was due mainly from growing demand for 100 percent occupancy built to suit warehouses and distribution centers in Thailand's strategic logistics locations. Moreover, only one new location was added in 2015 in Bangplee area so the average occupancy rate went up although the Company sold nearly 100 percent occupancy warehouses to TREIT, with useable area of 133,282 square meters. Net new lease of warehouses in 2015 increased from the net new lease in previous year because there had continuously been demand to lease the Company's warehouse space particularly the demand from those general logistics providers.

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

	2013	2014	2015
Average occupancy rate (%)	71	63	68

At the end of 2015, TPARK's customers were in various industries and were varied in their nationality as shown in the table below:

Industry	%	Country/Region	%
1. General logistics	60	1. Europe	52
2. Auto parts	8	2. Thailand	23
3. Modern trades	8	3. Japan	15
4. Retails	7	4. Australia	5
5. Food	5	5. North America	3
6. Others	12	6. South Korea	2
<b>Total</b>	<b>100</b>	<b>Total</b>	<b>100</b>

**Note:** The percentages were calculated based on rental and services income received in December 2014.

### 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 customers need Work Permits for any of their expatriate staffs, the Company will obtain the permits 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 recommending suppliers of goods and services, and assisting customers at recruiting key personnel.

## **4. INDUSTRY AND COMPETITION**

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

#### **4.1.1 Ready-built factories for lease**

##### **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/lease 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 during uncertain times. Shortening product life cycles and more investor focus on return on capital have added to the appeal of leasing in the eyes of modern international industry.

Thailand is a good location for manufacturing and export to AEC since it situates in the middle of most ASEAN countries. Moreover, there is a skilled labor force, and a good level of physical and regulatory infrastructure, as well as beneficial regulation for investors, both local and foreign. Thailand's foreign direct investment growth helps increase demand for leased factories.

**d. Competition**

At present, there are few players in the ready-built factory for lease 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 is concentrating on development of factories for lease. TICON's competitive advantages are its sole focus on providing factories and warehouses for lease, the multiple locations it can offer, the service it has developed to assist its customers. Moreover, the Company's 25 years of experience in this business and a share of approximately 54 percent in 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 compared with other countries, which limits the country's competitiveness level. 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 into Thailand.

Warehouses play an important role in the logistics system. World class 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 in long run 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 lease.

#### **b. Supply**

Generally, logistics warehouses are mainly found concentrated in the outskirts of Bangkok and vicinity area. Many warehouses locate along the Asia Highway, the Bangna-Trad Road and the Rama II Road. Most of these warehouses were not designed for use as modern distribution centers. In addition, proper infrastructure never was installed to support logistics management operation. Further, many of the warehouses locate in residential area 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 providers, packaging service providers, value added creation providers (i.e. quality inspection, label sticking, maintenance service, assembling/packing), truck maintenance providers, providers of temporary workers and carriers, etc.

#### **d. Competition**

Presently, there are 2 main competitors who develop warehouses of 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 better diversified with many more 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 Q3/2015, TICON had a total market share of 44.2 percent of the ready-built factories for lease market under management (of which 29.6 percent were funds' and REIT's properties).

TICON has positioned itself as the major provider of factories for lease 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 lease is the same as for ready-built factories for lease, 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 lease the Company charges are more related to the cost of providing the facilities than the lease competitors charge. The Company will, however, continue to monitor the market to ensure that its lease is 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 lease. This has resulted from growth in the automotive 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 automobile sector as well as the setting up of ASEAN



Economics 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 demand for lease facilities.

#### **4.3.2 Competition**

New competitors would have a high capital requirement, and would need considerable time to develop factories with the location, 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 using its own design and construction team. With its own team, the Company has more 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 lease, 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 2015, 42 percent of the Company's factory tenants were manufacturers from Japan. Of the tenants, 35 percent were in automotive sector and 27 percent were in electronics/electrical sector. In addition, 52 percent of the Company's warehouse tenants were companies from Europe. Of the tenants, 60 percent were in general logistics sector. Hence, the Company might be affected by a slowdown of those sectors, or by less direct investment from Japan and Europe.

However, the Company believes that such risk would have little impact. Although manufacturers in electronics/electrical sector have relocated to other countries where labor costs are lower and international trade preferences are greater than in Thailand, they have not shifted their entire factories but only moved the production which are labor intensive. Recently, Thai government came up with a new policy to attract advanced technology industries' foreign direct investment into Thailand to substitute investment of the departing manufacturers in electronics/electrical sector. The policy directly helps bring new tenants to the Company's unoccupied factories. Moreover, Thailand's automotive sector has bright future because lower oil prices will help boost global demand for automobile. Relocation to Thailand of major car manufacturers focusing on exports is expected. This resulted in an upsurge of demand for automotive parts.

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 direct investment from Japan, Japan ranks first for country with most direct investment in Thailand and thereby for TICON since TICON has the biggest market share in ready-built factory leasing. The Company feels that among ASEAN countries, Thailand is one of the most attractive destinations for direct investment owing to its cost effectiveness. Because of those reasons, the Company is sustainable with such risk.

Moreover, the standard type of factories and warehouses can help serve the demand of customers from various industries.

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

At the end of 2015, the Company had 178 factories and 230 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 INVESTMENT IN OTHER COUNTRIES**

In 2015, the Company invested through a subsidiary company, TICON (Hong Kong) Company Limited, which has 25 percent stake in PT SLP Surya TICON Internusa, a joint venture firm, to develop factories and warehouses for lease in Indonesia. Such investment resulted in the Company having foreign currency assets. The joint venture firm was registered in Indonesia and had registered capital of USD46.4 million as at December 31, 2015.

Although Indonesia's currency is Rupiah, the joint venture company requires every tenant in its factories and warehouses to pay the lease in US dollar. Therefore, the Company's only foreign currency exchange rate risk is US dollar risk. The risk will be mitigated through the use of foreign currency exchange forward contract usually offered for a fee by commercial banks.

Over two-year period, until 2017, the joint venture firm in Indonesia will be developing an average 50,000 to 51,000 square meters of factory and warehouse space per annum but will slow down the construction if inventory exceeds customers' demand. The delay will help reduce the joint venture firm's risk of having low occupancy in Indonesia due mainly from the country's economic slowdown.

As for the risk deriving from having foreign partners, the Company mitigates such risk by selecting partners with market experience who are available for partnership and are credible partners and ethical professionals. Both Mitsui & Co. and Surya Semesta Internusa, the Company's two partners in Indonesia, had been in contact with TICON for a period of time before they became partners of the Company in the joint venture. The Company believes it is important to know every partner well before entering into partnership.

## SHAREHOLDING STRUCTURE

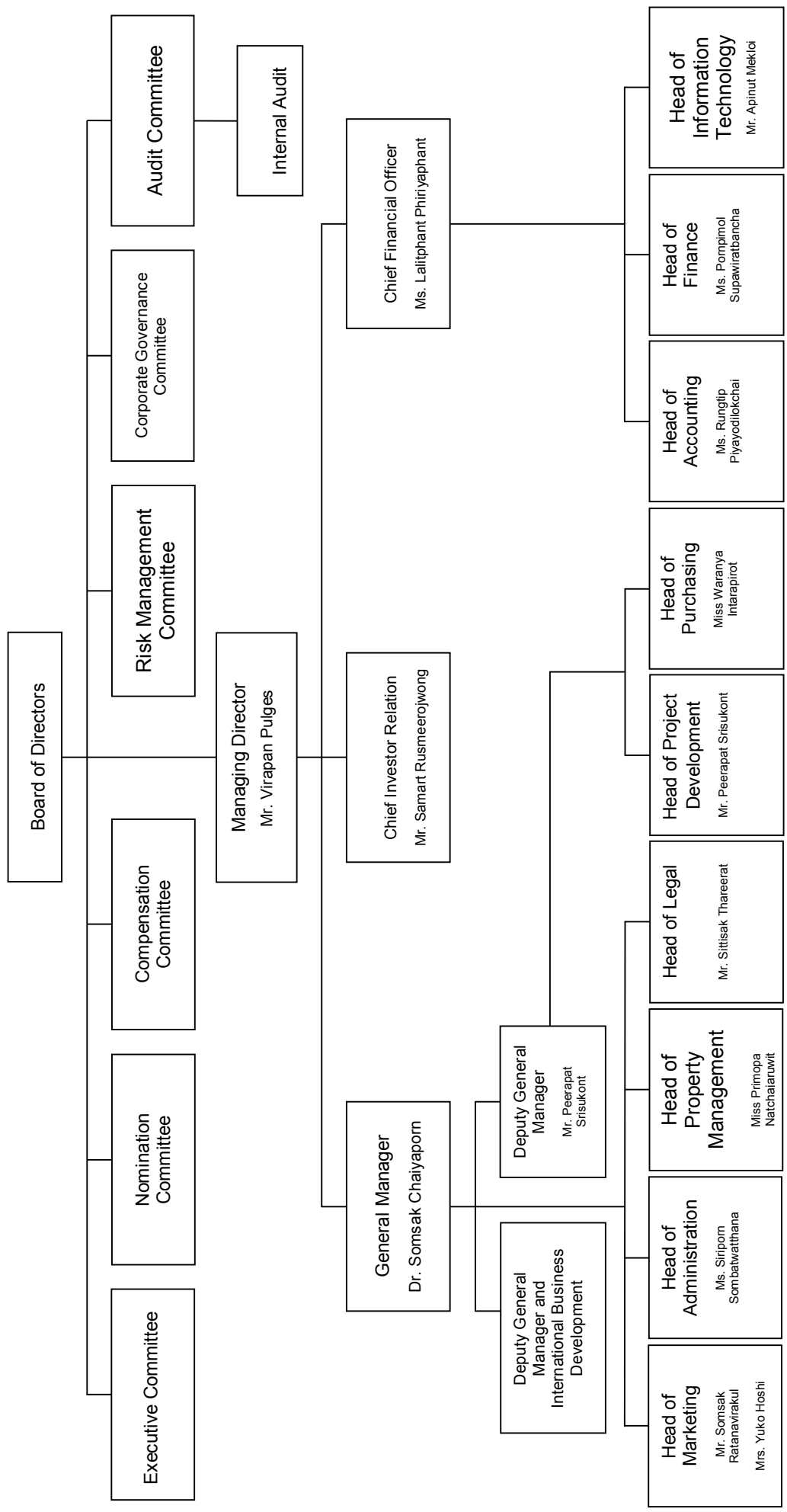
Shareholders	As of March 14, 2016	
	No. of shares	%
<b>1. Rojana Industrial Park Public Co., Ltd.</b>	<b>478,699,619</b>	<b>43.55</b>
<b>2. City Realty Group</b>		
City Villa Co., Ltd.	38,568,150	3.51
Mr. Chali Sophonpanich	24,773,910	2.25
Mrs. Siriya Sophonpanich	11,458,725	1.04
City Realty Co., Ltd.	2,582,684	0.24
	<b>77,383,469</b>	<b>7.04</b>
<b>3. Directors/Management/Related persons</b>		
Miss Siriporn Sombatwatthana (Head of Administration) and spouse	11,777,500	1.53
Mr. Virapan Pulges (Managing Director) and spouse	11,073,823	1.01
Mr. Threekwan Bunnag (Director and Audit Committee's member) and spouse	1,449,362	0.13
Mr. David Desmond Tarrant (Director and Chairman of the Audit Committee)	844,135	0.08
Miss Waranya Intarapirot (Head of Purchasing)	230,000	0.02
Miss Pornpimol Supawiratbancha (Head of Finance)	40,890	0.00
Mr. Somsak Ratanavirakul (Head of Marketing 1)	12,011	0.00
Miss Lalitphant Phiriyaphant (Chief Financial Officer and Company Secretary)	79	0.00
Mrs. Yuko Hoshi (Head of Marketing 2)	78	0.00
Miss Primopa Natchajaruwit (Head of Property Management)	61	0.00
	<b>30,427,939</b>	<b>2.77</b>
<b>4. Thai N.V.D.R. Limited</b>	<b>43,422,970</b>	<b>3.95</b>
<b>5. Mrs. Suchada Leesawattrakul</b>	<b>38,803,200</b>	<b>3.53</b>
<b>6. Chase Nominees Limited Group</b>	<b>33,588,500</b>	<b>3.06</b>
<b>7. Nortrust Nominees Limited Group</b>	<b>33,489,332</b>	<b>3.05</b>
<b>8. Mrs. Yupadee Kuan</b>	<b>21,469,904</b>	<b>1.95</b>
<b>9. Sathorn City Tower Property Fund</b>	<b>19,503,194</b>	<b>1.77</b>
<b>10. East Fourteen Limited Group</b>	<b>18,684,588</b>	<b>1.70</b>
<b>11. Others</b>	<b>303,669,660</b>	<b>27.63</b>
<b>Total</b>	<b>1,099,142,375</b>	<b>100.00</b>

### Paying Cash Dividend Policy

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 2015





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

## 2. BOARD OF DIRECTORS

As of 31 December, 2015, the Company's Board of Directors consists of eight members as follows:

- |    |                           |                                 |
|----|---------------------------|---------------------------------|
| 1. | Mr. Chali Sophonpanich    | Chairman of the Board           |
| 2. | Mr. Jirapongs Vinichbutr  | Director                        |
| 3. | Mr. Chai Vinichbutr       | Director                        |
| 4. | Mr. Nate Charanvas*       | Director                        |
| 5. | Mr. Virapan Pulges        | Managing Director               |
| 6. | Mr. David Desmond Tarrant | Chairman of the Audit Committee |
| 7. | Mr. Chatchaval Jiaravanon | Audit Committee's member        |
| 8. | Mr. Threekwan Bunnag      | Audit Committee's member        |

\* Mr. Nate Charanvas was appointed as Director on April 22, 2015

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

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

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

The Board shall act professionally on behalf of the shareholders to steer the Company's operations, make decisions on important matters and safeguard the benefits for all stakeholders. Moreover, the Board is accountable for overseeing management operations, risk management and determining remuneration.

1. New directors should attend orientation classes regarding business operations of the Company.
2. Directors should 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. The Board shall dedicate time and effort to formulate vision, direction and strategies of the Company's operations, by reviewing these every five years. Moreover, the Board is accountable for seeking useful information for the Company, and considering any potential risk to ensure that the management team can implement the determined vision, direction and strategies efficiently.
4. Directors should formulate policies and directions for 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.
5. Be a head of the Company and a role model in performing own duties in accordance with the Company's regulations, in line with the good Corporate Governance of the Company.
6. Be a director who undergoes continuous training, either internal or external, in order to improve their own performance more efficiently.
7. Arrange effective and reliable accounting systems, financial reports, accounting audits, internal control and internal audit systems.
8. Consider the Company's significant risk and set out a risk management process throughout the Company. The Board shall ensure that the management team has an efficient risk management process, and seek business opportunities that may arise.
9. A dividend payment shall be made to shareholders when the Company has sufficient profits and no accumulative losses.
10. The Board shall oversee and resolve conflicts of interest, connected transactions, and other significant transactions to ensure the best shareholder and stakeholder value.
11. Independent and other external directors should be capable of using their judgment with an independent opinion in determining matters such as setting out strategies, operational tactics, resource utilization and nomination of directors, including setting up performance standards for the Company. They also have to be ready to oppose any acts of other directors or the management on any issues affecting the equity of shareholders.
12. Report and update the "Report on the interests of Directors and Executives" to the Company, in compliance with the Company's criteria.

13. 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 not disclose such information to outsiders. Directors are aware of the penalties regarding misuse of such information.
14. Ensure that the management team treats all stakeholders ethically and equitably.
15. Review the Company's Good Corporate Governance Policy constantly.
16. Set out and effectively oversee the anti-corruption system to ensure the management team's awareness and attention to the anti-corruption scheme as well as embed an anti-corruption culture throughout the organisation.
17. Set out and oversee when the company receives a complaint.
18. Comply with the anti-corruption measures and punish when noncompliance occurs.
19. Appoint the Company Secretary to take care of the Board's and the Company's activities such as the Board of Directors' meetings and the shareholders' meeting, and also assist the directors and the Company in performing their duties as required by law 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 it in a timely manner.
20. Report the Company's performance to shareholders' meetings and via the Company's annual report.
21. Provide easy access channels that are appropriate for shareholders.
22. Board self-assessment and the Managing Director's performance evaluation should be conducted regularly, at least annually, to be used as a framework for reviewing their performance to enhance effectiveness. The result should be disclosed in the Company's annual report. Moreover, the Managing Director's remuneration should be evaluated according to performance.
23. Seek external professional opinions to make comments or give advice on the Company's operations, at the Company's expense as necessary.

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

The candidates for Board 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 replacement director.

### **3. EXECUTIVE COMMITTEE**

As of 31 December, 2015 the Company's Executive Committee consists of four members, as follows:

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

\*Mr. Virapan Pulges was appointed as Chairman of the Committee on August 18, 2015

#### **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 2015, 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 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, good corporate governance process and risk management system.
3. Review the efficiency and effectiveness of Information Technology System in relation to the Internal Control and the Risk Management.
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 corruption risk assessment process and advice risk mitigation measures to the Board. The management team shall implement such advice.
7. Review and consider with the management on the defects that have been found out and on the responses from the management.
8. 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.

9. Consider, select, nominate/discharge and recommend remuneration of the Company's external auditor. The Audit Committee shall meet privately with 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 no double operations of financial auditing.
11. Coordinate with the Company's auditors and may advise them to review in any significant transactions.
12. If the Audit Committee finds 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.
13. Oversee the internal control of financial reporting and other processes involved with the anti-corruption measures, including oversee the compliance of anti-corruption policy.
14. Monitor relevant internal control system to ensure efficient and effective anti-corruption measures.
15. Regularly report and provide suggestions relevant to internal audit results on the anti-corruption measures to the Board of Directors and the management team.
16. Ensure that the management team sets out Whistle Blowing system and its monitoring process.
17. Chairman or a member of the Audit Committee should attend the Company's Annual General Shareholder Meeting so that shareholders may ask questions related to the Audit Committee.
18. Evaluate the Company's audit committee performance at least one time annually, and report to the Board.
19. 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.
20. Ensure that the Company's auditor remuneration is disclosed in the Company's annual report.
21. Approve charter, work plans, budget and manpower of the Internal Audit Department.



22. Consider, select, nominate and evaluate the Internal Audit Manager as well as an independence of the Internal Audit Department.
23. 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 2015, 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 Corporate Governance Committee**

1. Propose policy and criteria for compensation of the Boards' ,Sub-committees' members and Managing Director 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 compensation for the Managing Director.
3. Determine cash and non-cash welfare and other benefits for the Company's employees.
4. Ensure that the Director's remuneration is disclosed, corresponding to the principles.

## 6. NOMINATION COMMITTEE

As of 31 December 2015, 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

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

## 7. RISK MANAGEMENT COMMITTEE

On 31 December, 2015 the Company's Risk Management Committee consisted of seven 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. Samart Rusmeerojwong*    | Committee's member                                |
| 7. | Mr. Peerapat Srisukont       | Committee's member and Secretary to the Committee |

Since then, the current members of the Risk Management Committee are as follows:

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

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

1. Regulate and support risk management procedure to be in line with the Company's strategies and objectives, responding to any risk situation change.
2. 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 risks.
3. Assess the Company's risks in the areas mentioned in item 2.
4. 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.
5. Determine and review risk limits and corrective measures.
6. Follow up with risk assessments which assume both normal operational mode and crisis situations (stress testing).
7. 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.
8. Review and improve, if needed, the Charter of the Risk Management Committee, and report the amendment to the Board of Directors.
9. Risk Management Report should be reported to the Board. When there are any events unlikely to have significant impact on the Company, the Board shall be reported immediately.
10. The Risk Management Committee should set its meeting schedule at least one time per quarter.
11. Review and support Anti-Corruption risk management implementation by assessment of corruption risks and review appropriateness of the anti-corruption measures.
12. A Risk Management Report regarding anti-corruption shall be presented to the Audit Committee. Should any event be likely to have significant impact on the Company, the Board shall be informed immediately.
13. Perform any other acts assigned by the Board, with the approval of the Risk Management Committee.

## 8. CORPORATE GOVERNANCE COMMITTEE

On February 26, 2015 the Company's Board of Directors appointed a Corporate Governance Committee which comprises of seven members.

- |    |                              |                           |
|----|------------------------------|---------------------------|
| 1. | Mr. Virapan Pulges           | Chairman of the Committee |
| 2. | Dr. Somsak Chaiyaporn        | Committee's member        |
| 3. | Mr. Patan Somburanasin       | Committee's member        |
| 4. | Miss Lalitphant Phiriyaphant | Committee's member        |
| 5. | Mr. Samart Rusmeerojwong     | Committee's member        |
| 6. | Mr. Peerapat Srisukont       | Committee's member        |
| 7. | Miss Tasanee Kartsanit       | Committee's member        |

Since then, the current members of the Corporate Governance Committee have changed as follows:

- |    |                          |   |
|----|--------------------------|---|
| 1. | Mr. Threekwan Bunnag     | Chairman of the Committee                         |
| 2. | Mr. Virapan Pulges       | Committee's member                                |
| 3. | Mr. Samart Rusmeerojwong | Committee's member and Secretary to the Committee |

### **Roles, duties and responsibilities of the Corporate Governance Committee**

1. Proposed good Corporate Governance policy to the Board.
2. Provide suggestion on the good Corporate Governance to the Board.
3. Ensure that directors and the management team conform to the good Corporate Governance principles.
4. Review the Company's good Corporate Governance practices and guidelines, in line with the international standards, and present to the Board.
5. Formulate policy and practice of the Sustainable Management ("SM") and Corporate Social Responsibility ("CSR") and present to the Board.
6. Review and follow-up the Sustainable Management plan.
7. Framing the guidelines and oversee the operations related to Anti-Corruption in the company.
8. Establish and review the Anti-Corruption Policy. Provide suggestions, guidelines, monitors and assessment the Anti-Corruption risk compliance by report to the Board's at least once a year.

## 9. MANAGEMENT TEAM

As of 31 December 2015, the Company's management team is as follows:

- |     |                                |  |
|-----|--------------------------------|--|
| 1.  | Mr. VirapanPulges              | Managing Director  |
| 2.  | Dr. SomsakChaiyaporn           | General Manager  |
| 3.  | Mr. PeerapatSrisukont*         | Deputy General Manager<br>and Head of Project Development        |
| 4.  | Mr. Kris Weerakul**            | Deputy General Manager<br>and International Business Development |
| 5.  | Miss Lalitphant Phiriyaphant   | Chief Financial Officer and Company Secretary                    |
| 6.  | Mr. Samart Rusmeerojwong       | Chief Investor Relation  |
| 7.  | Mr. SomsakRatanavirakul        | Head of Marketing 1  |
| 8.  | Mrs. Yuko Hoshi                | Head of Marketing 2  |
| 9.  | Miss SiripornSombatwatthana    | Head of Administration   |
| 10. | Miss WaranyaIntarapirot*       | Head of Purchasing   |
| 11. | Mr. Sittisak Thareerat         | Head of Legal  |
| 12. | Miss Rungtip Piyayodilokchai   | Head of Accounting   |
| 13. | Miss Pornpimol Supawiratbancha | Head of Finance  |
| 14. | Mr. ApinutMekloi***            | Head of Information Technology                                   |
| 15. | Miss Primopa Natchajaruwit*    | Head of Property Management                                      |

\* Mr. PeerapatSrisukont, Miss Waranya Intarapirot and Miss Primopa Natchajaruwit were appointed as Management on April 1, 2015

\*\* Mr. Kris Weerakul was appointed as Management on October 1, 2015

\*\*\* Mr. ApinutMekloi was appointed as Management on March 1, 2015

### 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.



## 10. 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.

### 10.1 Compensation in cash

In year 2015, 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	-	1,084,000
Mr. David Desmond Tarrant	50,000	40,000	936,000
Mr. Jirapongs Vinichbutr	40,000	-	892,000
Mr. Chai Vinichbutr	40,000	-	870,000
Mr. Wei Cheng Kuan*	-	-	-
Mrs. Yupadee Kuan*	10,000	-	-
Mr. Nate Charanvas**	30,000	-	870,000
Mr. Virapan Pulges	50,000	-	892,000
Mr. Threekwan Bunnag	50,000	40,000	710,000
Mr. Chatchaval Jiaravanon	50,000	40,000	401,000
<b>Total</b>	<b>420,000</b>	<b>120,000</b>	<b>6,655,000</b>

\* Mr. Wei Cheng Kuan and Mrs. Yupadee Kuan did not renew their term of office as Directors at the time of the Annual General Meeting of Shareholders for the year 2015.

\*\* Mr. Nate Charanvas was appointed as Director on April 22, 2015

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

	Amount (Baht)
Salary	44,375,782
Bonus	4,062,060
Provident Fund	1,191,775
<b>Total</b>	<b>49,629,617</b>

## **10.2 Other compensations**

In 2015, 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 7 directors attended at the 2015 Annual General Meeting of Shareholders. The meeting was held on 22 April 2015 at 2:30 p.m. in the Ballroom of Chatrium Riverside Hotel, 28 New Road, Wat Praya Krai, Bang Kor Laem, 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 8 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 2015.

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

**Note:** \* Mr. Wei Cheng Kuan and Mrs. Yupadee Kuan announced they would quit at the 2015 AGM  
 \*\* Mr. Nate Charanvas was appointed director on 22 April 2015

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 2014 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 2015.

	<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 2014.

	<b>Number of attendance (2 meeting in total)</b>
1. Mr. Chali Sophonpanich	2
2. Mr. David Desmond Tarrant	2
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 2014.

	<b>Number of attendance (2 meeting in total)</b>
1. Mr. Chali Sophonpanich	2
2. Mr. Jirapongs Vinichbutr	1
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 2014.

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

## 9. CORPORATE GOVERNANCE COMMITTEE

On February 26, 2015 the Company's Board of Directors appointed a Corporate Governance Committee which comprises of seven members. Members of the Committee are responsible of proposing the Corporate Governance Policy and advising the Board of Directors, monitoring, reviewing their roles in order to promote good governance within the Company. Corporate Governance Committee members also are responsible of proposing policy and work procedure for Sustainability Management (SM) which emphasizes work and efforts on social, community, and environmental management (Corporate Social Responsibility : CSR) and present to the Board of Directors including creating, reviewing, advising and evaluating anti-corruption operation for the Company.

The following table shows the attendance of each Corporate Governance Committee's member in year 2015.

	<b>Number of attendance (3 meetings in total)</b>
1. Mr. Virapan Pulges	3
2. Dr. Somsak Chaiyaporn	3
3. Mr. Patan Somburanasin	2
4. Miss Lalitphant Phiriyaphant	2
5. Mr. Samart Rusmeerojwong	3
6. Mr. Peerapat Srisukont	3
7. Miss Tasanee Kartsanit	3

## 10. OTHER COMMITTEES

- None -

## 11. 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.

## 12. 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.

Name	Position	E-mail	Address
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 2015, TICON had activities for abroad, institutions and individual investors and securities analysts as follows:

Activities	Number of attendance
Opportunity Day	3
Company visit	35
Analyst meetings and Press Conference	4
Local roadshows	30
International roadshows	6
Site visit	4

### **13. 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.

### **14. EVALUATING OF CORPORATE GOVERNANCE COMPLIANCE**

In 2015, the Company could comply with the SET's corporate governance guidelines except for the following:

- Did not have diversity in the Company's Board of Director. That was because factory and warehouse leasing business required specialists with specific knowledge and work experience in factory and warehouse development on the Board to help the Company achieve its business goal and objective.
- Had independent director who was in the post longer than nine years. Again, it was because factory and warehouse leasing business required specialists with specific knowledge and work experience in factory and warehouse development. The longer the experience, the fewer the specialists. However, the Company's operation are based on and members of the Board of Directors all complied with the SET's corporate governance guidelines. Therefore, independent director who was in the post longer than nine years would not be able to influence the Company nor exploit power other than the authority he had as he remained under the Company's rules, regulations and orders.
- Former president and director Mr. Wei Cheng Kuan participated in less than 75 percent of the Company's Board of Directors meetings in 2015. That was due mainly to his will to discontinue as a director of the Company. He submitted his resignation in 2015. After Mr. Wei Cheng Kuan's resignation, the Board of Directors had a resolution to appoint Mr. Virapan Pulges to take on Mr. Wei Cheng Kuan's duty at the Company.

## 15. SOCIAL RESPONSIBILITY

### 1. ANTI-CORRUPTION SUPPORT

The Board of Directors is determined to direct the Company's operation with transparency and responsibilities. The Company will abide the laws, adhere the business ethics, and follow the corporate governance guidelines. The Stock Exchange of Thailand (SET) has set guidelines for every listed company to be social responsible. The guidelines are comprehensive of the following issues:

- Corporate Governance
- Fair Business Operation
- Anti-Corruption
- Respect for Human Rights
- Fair Labor Practices
- Responsibility for Consumers
- Social and Community Development
- Environmental Management
- Innovation of Social Responsibility
- Sustainability Development Report

The Stock Exchange of Thailand (SET) currently has its focus on the Anti-Corruption and is pushing for every listed company on the SET to have Anti-Corruption policy and measures in place. The Board of Directors acknowledged corruption would have serious negative impacts on the country's economic and social development, and national security. Consequently, the Board of Directors is supportive of the SET's Anti-Corruption move and would want to announce the Company's Anti-Corruption policy as the following:

#### ANTI-CORRUPTION POLICY

No TICON directors, executives, or employees may demand, engage in, or tolerate corruption in any country and any public or private agency involved in TICON's business. Rather, they must cooperate in promoting the values of integrity and responsibility as a corporate culture as well as review practices and requirements for operators to comply with changes in business regulations and legal requirements.

##### Definition

"Corruption" means bribery in any form as follows:

1. Provide, offer, promise or agree to provide
2. Accept or request

Money, assets or benefits which are inappropriate for a government officer, private officer or any relevant person in charge, either directly or indirectly, in order to do, or refrain from, their duty, which may deliver or preserve inappropriate benefit. However, conduct permissible by law, regulations, announcements, articles, local culture, local norm and business practice is acceptable.

**Company** means **TICON Industrial Connection Public Company Limited**.

**A subsidiary refers to:** A company having one of the following characteristics:

- (a) Company which TICON Industrial Connection Public Company Limited ("TICON") has a controlling power over;
- (b) Company which (a) has a controlling power over;
- (c) Company which (b) has a controlling power over, the chain of control beginning with the controlling power of (b).

**An affiliated company refers to:**

A company in which TICON or a subsidiary has authority to participate in decision making related to the company's financial policy and business operation, but has no controlling power over such policy and is not deemed as a subsidiary or joint venture.

In case TICON or a subsidiary directly or indirectly holds shares in an aggregate amount of twenty percent, but not exceeding fifty percent of the total number of the voting rights of such company, it shall be presumed that TICON or the subsidiary has the authority to take part in the decision making under the first paragraph, except where it is proven otherwise.

**Controlling power refers to:** Any of the following relationships:

- (a) Holding shares with voting rights of a company in an amount exceeding fifty percent of the total number of the voting rights of such company;
- (b) Having controlling power of the majority of voting rights in the shareholders' meeting of a company whether directly or indirectly or by any other reason;
- (c) Having direct or indirect controlling power over the appointment or removal of a least half of all directors.

**Company Personnel** means TICON's Directors, Executives, and company personnel.

**Directors** mean TICON's Directors.

**Executives** mean the company's executives, from Heads of Departments upwards.

**Employees** means employees from the level of executives downwards, whether rank-and-file employees, specially contracted employees, or temporary employees.

**Business partners** means suppliers of goods and services to the company, designers, consultants, contractors, and sub-contractors.

**Stakeholders'** means shareholders, directors, executives, creditors, employees, customers, business partners, business competitors and other related people in society.

**Political contribution** means direct or indirect financial or other contributions in support of political activities, including loans, provision of articles or services, advertisements in support of



political parties, or donations to join activities of entities closely related to political parties conducive to mutual, improper benefits.

**Service Fees** means meal costs, beverage costs, gift costs, printing costs and expenses related to entertainment, including services and other expenses related to one or more persons who come to work, visit or are on a sightseeing trip.

**Government** means them in is tries or government agency that called otherwise and is a Department, Provincial Local Government and Enterprises that set up by the actor decree.

**Donations to charity** mean a sacrifice or taking money or goods to any organization or individual without expecting something in return, or cause an economic advantage to the donor.

**Funding** means money for the purpose of business, brand or reputation of the Company without ulterior purpose to serve as a pretext for bribes or corruption.

## **Roles and Responsibilities of the Board**

### **Board of Directors**

- Set out and effectively oversee the anti-corruption system to ensure Management awareness and attention to the anti-corruption scheme; embed an anti-corruption culture in the Company.
- Set out and oversee when the company receives a complaint.
- Comply with the anti-corruption measures and punish when noncompliance occurs.

### **Audit Committee**

- Oversee the internal control of financial reporting and other processes involved with the anti-corruption measures, including overseeing compliance with the anti-corruption policy.
- Review the relevant measures and internal controls to ensure the anti-corruption measures are sufficient and efficient.
- Review the risk assessment process and give advice on risk mitigation measures to the Board. The Management shall implement such advice.
- Regularly report to the Board issues relevant to internal audit results on the anti-corruption measures. Provide suggestions and/or procedures to Management.
- Implementation of the Management process regarding the receiving of complaints.

### **Corporate Governance Committee**

- Frame the guidelines and oversee the operations related to anti-corruption in the company.
- Establish and review the Anti-Corruption Policy. Provide suggestions and guidelines, monitor and assess Anti-Corruption risk compliance at least one time per year.

### **Risk Management Committee**

- Review and support Anti-Corruption risk management implementation by assessment of corruption risks and review appropriateness of the anti-corruption measures.

- A Risk Management Report regarding anti-corruption shall be presented to the Audit Committee. Should any event be likely to have significant impact on the Company, the Board shall be informed immediately.

#### Management

- Establish a risk assessment in operational processes where corruption may occur.
- Establish a process to promote anti-corruption and communicate this to the personnel of the company and its stakeholders.
- Instruct personnel of the company to comply strictly and continuously with the anti-corruption policy and protection framework.
- Set out the evaluation and report the results of compliance measures to Corporate Governance Committee regularly.
- Establish a process for receiving complaints.
- Review the appropriateness of the procedures and other measures to comply with changes in business, regulatory and legal requirements.

#### **Suggested Practices**

1. The Company's personnel shall not commit or be involved in any Corruption in either direct or indirect forms of providing or accepting, and shall comply with the Anti-Corruption Policy, Corporate Governance, Ethical Standards and Code of Business Ethic Handbook, regulations and relevant articles.
2. The Company's personnel shall perform with care in receiving and providing gifts, assets or other benefits including hospitality and other expenses. Moreover, providing and receiving gifts and hospitality must have business or custom objectives. The value of such gifts and hospitality must be appropriate and not affect practical decisions.
3. Philanthropy donations and support by the Company shall have review, approval and audit processes. Documentary evidence must be precise and comply with the Company regulations. Such process can ensure that any gifts or hospitality are not used to cover up corruption.
4. The Company shall establish a frequent reviewing process in sales and marketing operational systems and procedures, including procurement and contract drafting works. The relevant corruption risks shall be appropriately assessed and mitigated.

5. The Company shall have human resource management system that reflects anti-corruption commitment. The Company will not demote, punish or affect any Company personnel who decline corrupt practices although such refusal may cause loss in business opportunities. The Company shall have clear communication channels for such policy.
6. The Company shall establish documentation readiness and record keeping procedures to ensure auditing accuracy of the financial statements and relevant procedures so that no accounting items will be missing, unexplainable or false.
7. The Company shall establish procedures to ensure that the internal controls of accounting and information storage have been internally audited. Such procedures shall ensure effectiveness of the anti-corruption measures and the financial statements have enough evidence for audit.
8. The Company shall provide communication and training that genuinely educate the Company's personnel on the anti-corruption measures, the Company expectations and punishment for violation.
9. The Company shall communicate the Anti-Corruption Policy and practice to subsidiaries, associated companies, other controlled companies, business partners and stakeholders including the general public through various communication channels for notification and implementation of the Anti-Corruption Policy.
10. The Company's personnel shall neither ignore nor tolerate potential violation of the anti-corruption measures. The Company shall establish a whistle-blowing channel and protection for the whistle-blower. Such channel shall provide suggestions on the anti-corruption measures for personnel.
11. The Corporate Governance Committee shall report the Anti-Corruption performance to the Board of Directors, at least once a year.
12. The Internal Audit Department shall immediately report violation to the President, Managing Director, Audit Committee and then report to the Board of Directors.

#### **Policy on giving and acceptance of gifts, entertainment, or other benefits**

Giving and acceptance of gifts, entertainment, or other benefits can occur under the following circumstances:

- Undertaken properly, openly, transparently, morally, and under laws and company regulations, as well as those of government agencies, state enterprises, and relevant agencies, fitting the circumstances, festivals, and customs of each local area but not using these as an excuse for corrupt practices.

- No gifts, entertainment, or other benefits are to be given or accepted if such action affects TICON's business.
- Should be prepared for approval by the names of individuals and/or organizations that provide services or other benefits clearly with attached document related to the authority for approval before proceeding.
- On behalf of the company, not on behalf of employees.
- Giving publicly, unconcealed.
- Gifts with a value of not more than 3,000 Baht but must let supervisors know by using there port form for receiving a gift. If the gift is worth more than 3,000 Baht, the gift must be delivered to the Company Secretary using the 'receiving gifts report form' – the gifts will be awarded to employees or donated to charity, as appropriate.

### **Policy on donation or contribution to charitable causes**

All donations or contributions to charitable causes must bear the following characteristics:

- Undertaken properly, openly, transparently, morally, and under laws and company regulations, as well as those of government agencies, state enterprises, and relevant agencies but not being used as an excuse for corrupt practices.
- Compatible with the policy on society, communities, and the environment, or activities leading to company sustainability, or classified as public services.
- Without hidden purposes to bolster advantage or induce business favours.
- Not leading to conflicts of interest between oneself and TICON.
- Donations or contributions must be put in writing as a memorandum for approval, stating objectives and clear names/recipient agencies complete with supporting documents, for TICON's authorities to approve before proceeding further.

### **Political Support**

The Company is a politically neutral organization which encourages Company personnel to uphold the democratic form of government with the King as Head of State, and activities that align with the local governing system. The Company encourages its personnel to exercise their political rights in compliance with the law

- The Company does not permit its personnel to utilize the Company's resources, logo and/or trademark to support direct or indirect political activities.
- The Company's personnel can join, support, and exercise their political rights after office hours, by using their personal resources only.

### **Data recording and retention process**

TICON's financial and accounting data must be properly recorded and stored accurately, completely, transparently, and accountably, to be verified by an efficient, reliable internal control system and internal audit under the supervision of the Audit Committee.

The guidelines for recording and storing data are to follow the Code of Business Conduct and Corporate Governance Policy, announcements, regulations, and relevant policies.

## **Communication and Training**

### **1. Communication**

- Communication must be made on the Anti-Corruption Policy and Measures with related personnel company, subsidiaries, associates and stakeholders
- Communication must be made on punitive measures for violators of the Anti-Corruption Policy and Measures.
- Communication must be made that no demotion, punishment, or negative repercussions are to affect directors, executives, and employees who refuse to take part in corrupt practices even if such refusal could deprive TICON of business opportunities.

Each time related policies and measures are edited, communication and disclosure must follow through proper channels, including letters, Emails, website, intranet, printed media, and bulletin boards.

### **2. Training**

- TICON must stage orientation and training on the Anti-Corruption Policy and Measures for directors, executives, and employees
- TICON must encourage directors' and executives' participation in employee education to set good examples for observance of the Anti-Corruption Policy and Measures.

## **WHISTLEBLOWING POLICY**

The Company encourages all Company personnel to implement, in accordance with the good Corporate Governance and Ethical Standards and Code of Business Ethics principles, as well as to ask questions on, any relevant matters or concerns on the Ethical Standards and Code of Business Ethics. Furthermore, any inquiries or complaints can be sent to the Audit Committee, Managing Director, Company Secretary, Human Resources Department or direct supervisor.

The Company shall treat all Company personnel equally, transparently, and give fair judgment in a timely manner. The name of any complainant shall be protected and kept confidential during and after the investigation process.

### **1. Objectives**

- 1.1 To encourage Company personnel to operate correctly, transparently, rightfully and accountably in accordance with the principles of good Corporate Governance, Ethical Standards and the Company Code of Business Ethics. Everyone is expected to report in good faith any act contrary to, or suspected to be in violation of, such matters to the

Company. The Company shall improve or modify operations to be correct, suitable, transparent, fair and consistent with the Securities and Exchange Act which protects the persons giving information in good faith to the complaint receiver.

- 1.2 To ensure that supervisors and the Human Resources Department of the Company are responsible for managing, providing advice and monitoring that the various actions of staff are performed correctly. Additionally, the complainants shall be protected if they have acted in good faith

## **2. Channels of notifying suspicions or complaints**

- 2.1 In cases of doubt or discovering actions violating the principles of good practice concerning the following matters:
- Violation of compliance with the principles and practice guidelines of good Corporate Governance Policy
  - Violation of the rules and regulations of the Company
  - Not being treated fairly at work
  - Fraud
- 2.2 Discovery of acts that cause suspicion and have a bad effect on the Company

## **3. Channels of notifying suspicions or complaints for stakeholders**

- 3.1 Mail: **Board of Directors or Audit Committee or Company Secretary or Human Resources Department**  
TICON Industrial Connection Public Company Limited  
Suite 1308, 13/1<sup>th</sup>Floor, Sathorn City Tower, 175 South Sathorn Road, Thungmahamek, Sathorn, Bangkok, 10120
- 3.2 Tel: (662) 679-6565      Fax: (662) 287-3153
- 3.3 E-mail address:
- |                           |  |
|---------------------------|--|
| Directors                 | : whistleblowing.director@ticon.co.th  |
| Audit Committee           | : whistleblowing.ac@ticon.co.th        |
| Company Secretary         | : whistleblowing.secretary@ticon.co.th |
| Human Resource Department | : whistleblowing.hr@ticon.co.th        |
- 3.4 Website: [www.ticon.co.th/en/ir](http://www.ticon.co.th/en/ir)

## **4. Conditions of accepting notification of suspicions or complaints**

- 4.1 Detail of notifying clues or complaints must be true and adequate for further investigation process.

- 4.2 Informers or complainants can choose to be anonymous and not disclose their address and contact number if they consider that they may be unsafe or potentially suffer harm. However, if informers or complainants disclose their name, the process of reporting the investigation progress, asking for additional useful information related to the complaints, and reducing the damage can all be done more quickly.
- 4.3 All received evidence shall be kept confidential and the name of the person notifying suspicions or complaints will not be disclosed without their permission.
- 4.4 The right of informers or complainants, both Company employees and outsiders, will be protected.
- 4.5 The period of the complaint process will depend on the complication of the complaint, sufficiency of the evidence, and the explanation of the respondent.
- 4.6 The person responsible for receiving complaints, being relevant to the investigation process, must keep relevant documents as confidential as possible and disclose only information as needed, with consideration of safety for the complainant or the person coordinating in the investigation.
- 4.7 The Company shall not accept a fraud complaint in events as follows:
  - 4.7.1 The investigation committee finishes the investigation process and has no new significant evidence.
  - 4.7.2 The respondent was discharged from the Company more than five years before the complaint was made.
  - 4.7.3 Fraud or complaints which have insufficient evidence to undertake the investigation process.
  - 4.7.4 The date on which the fraud happened is more than five years before the date of the complaint and presently cannot find sufficient evidence to undertake any further investigation.

## 5. Relevant persons

- |     |                                   |   |
|-----|-----------------------------------|---|
| 5.1 | Informers                         | The person reporting suspicions or complaints   |
| 5.2 | Complaint receiver                | Audit Committee, Managing Director, Company Secretary, Human Resource Department, Supervisor  |
| 5.3 | Complaint coordinator             | The person receiving preliminary information, coordination and collection of the investigation results. (Company Secretary, Human Resources department) |
| 5.4 | Person responsible for complaint  | Direct supervisor of the respondent or the upper direct supervisor of the respondent's department.  |
| 5.5 | Person responsible for regulation | Human Resources department  |
| 5.6 | Managing Director                 |   |
| 5.7 | Audit Committee                   |   |

## **6. Process of dealing with matters of complaint**

### **6.1 Registration and submission of matters**

6.1.1 The Complaint Coordinator registers the complaint and fixes the date of reporting back any progress with the said matter to the complainant as follows:

- In the event of serious impact on the reputation of the Company, take action as urgently as possible.
- For other cases, take action quickly.
- For general inquiries such as questions about share price, dividend payment, there is no need for registration of these matters. However, the matters shall be submitted to the departments directly responsible to answer questions from inquirers.

6.1.2 The Complaint Coordinator records information from the complainant as follows:

- Complainant's name, except in the case of anonymity
- Complaint date
- Name of the person or cause of complaint
- Other relevant information

6.1.3 After registration of complaint, define the confidentiality level in accordance with the nature of the matter (except for general inquiries) and proceed as follows:

- Submit to the relevant person responsible for that complaint so as to supervise the investigation according to their level of authority.
- Submit a copy of the matter to the Human Resources Department as preliminary information to prepare for providing advice on disciplinary or other actions.
- Submit a copy of the matter to the Managing Director and Audit Committee for acknowledgement.

### **6.2 Gathering facts and giving orders**

6.2.1 The person responsible for that complaint shall undertake to find facts and advise the relevant person to behave or practice suitably. If disciplinary action must be imposed, consult with the Human Resources Department so that the punishment is in accord with the Company's punitive measures. If the person responsible for that complaint has no power to order punishment, the matter should be submitted to a higher level, until it reaches the correct level of authority. This may vary case by case. The results of the investigation, the action taken and the punishment for that case must be submitted to the Managing Director through the relevant superiors for acknowledgement or further action.

6.2.2 Regarding a complaint by an anonymous person and inability to find sufficient additional information, the person responsible for complaint shall submit a report on the results of information verification and comments on that complaint to the Managing Director through the relevant superiors so as to seek guidelines for appropriate action. If the Managing Director considers that it is unfeasible to act on the complaint, that complaint shall be dropped. Furthermore, the person



responsible for complaint must submit a copy for the Complaint Coordinator to acknowledge so as to report to the Audit Committee.

6.2.3 If the person responsible for that complaint finds, after investigation, that the respondent is not guilty, or that the matter arises from a misunderstanding, or if advice has already been provided to the respondent or the relevant person to behave appropriately, or if examination reveals that the matter should be closed without any penalty, the person responsible for that complaint shall submit the said matter to their superiors so as to request approval for closing the case, and submit a copy to the Complaint Coordinator to inform the complainant. The Coordinator shall report to the Managing Director and Audit Committee.

### 6.3 Investigation

6.3.1 If the person responsible for that complaint and the Human Resources Department consider that disciplinary action must be imposed, the Human Resources Department shall submit the matter to the Managing Director for further investigation into the facts.

6.3.2 According to Managing Director's orders, the person responsible for that complaint shall be notified of the outcome so as to follow the next steps.

### 6.4 Notifying conclusive results to the complainant, improvements and modifications

6.4.1 The person responsible for that complaint shall follow the orders of the Managing Director, and proceed to recommend appropriate behavior or practice. The Complaint Coordinator shall be informed about the results of the action.

6.4.2 The Complaint Coordinator notifies the complainant of the results and records the results of action on the complaint by informing the Audit Committee on a quarterly basis.

6.4.3 The Complaint Coordinator follows the results of improvements and modifications (if any) and reports to the Managing Director and the Audit Committee for acknowledgement.

## 7. Complaint in bad faith

For Company personnel, if notification of suspicions or complaints proves to have been made in bad faith, disciplinary action shall be imposed. For an outsider who acts and causes damage to the Company, legal proceedings shall be taken against that person.

## 8. Measures to protect the informers or complainants

8.1 The Company shall keep information and the identity of the informers, complainants and respondents confidential.

8.2 The Company shall disclose information as necessary, taking into account the safety of, or threat to, the informers or relevant persons.

8.3 Any persons suffering harm shall be treated with right and fair procedures.

8.4 In the event that the complainant or other persons cooperating in the investigation consider that they may be unsafe or potentially suffer harm, the complainants or persons

cooperating in the investigation can request that the Company adopt appropriate protection measures. The Company may adopt the protection measures without the request of complainants or persons cooperating in the investigation if the situation is considered to be unsafe.

- 8.5. The Company shall not do anything which is unfair to the informers or the complainants, including changing their job or office, suspension from work, intimidation, interference with work, dismissal or any other actions that appear to be unfair treatment of the informers, complainants or persons cooperating in the investigation.

## **9. Punishment**

Since the Anti-Corruption Policy and Measures form part of work discipline, directors, management and personnel of the company who violate them will be subject to investigation and disciplinary action under TICON's regulations, as well as those of the Public Limited Companies Act, Securities and Exchange Act and the law.

## **2. GREEN HOUSE GAS EMISSIONS REPORT**

The Company has been very concerned with global environmental changes especially the changes in world's atmosphere caused by the increase of green-house gas emissions from various manufacturing industries. As a result, global warming situation has worsened every year. In 2015, the Company assigned researchers to do the research which measured volume of green-house gas emissions resulting from the Company's operation during the year. Objective of the research was to help the Company improve operation to reduce green-house gas emissions volume. The Company's Green-House Gas Emissions for Organization Report summarizes the study and the results are as the followings:

### **Greenhouse Gas Emissions for Organization Report**

TICON Industrial Connection Public Company Limited was established in 1990 to provide ready built factories and warehouses for lease to satisfy high demand from customers. TICON's factories and warehouses are located in major industrial estates in 17 locations at present and have a range of sizes that best meet customers' standard requirements.

TICON's factories and warehouses are built with best quality, standard safety procedures and environmental friendly. In environmental, TICON has engaged activities to reduce energy consumption and greenhouse gas emissions in accordance with global warming crisis. The company has realised the affect of climate change, so the achievement of greenhouse gas emissions reduction is the aim of TICON's activity. Carbon Footprint for Organization (CFO) or Corporate Carbon Footprint (CCF) is recognized as a significant tool to quantity greenhouse gas emissions of organizations. The quantification of CFO helps in identifying actions and measures that can be taken to effectively reduce greenhouse gas emission.

"Guideline for Corporate Carbon Footprint" developed by Thailand Greenhouse Gas Management (Public Organization) (TGO) is the reference standard for greenhouse gas reporting of organization. The scope of emission sources are categorized as scope 1 - direct emissions, scope 2 -

energy indirect emissions and scope 3 – other indirect emissions under organization boundary in operation control with 5% of materiality.

Apart from TGO's guideline, ISO14064-1 (2006) and The GHG Protocol (WRI/WBCSD) are referred as the international reference standards, which used to assist in the measurement, quantification and reporting of greenhouse gas emissions.

#### **Emission sources from Scope 1 - direct emissions**

- Stationary Combustion
  - o Fuel consumption in generators and other stationary machines at construction site (Financial reimbursement system)
- Mobile Combustion
  - o Fuel consumption in company's vehicle (Fleet card system)
  - o Fuel consumption in company's vehicle (Financial reimbursement system)
- Fugitive Emission: None
- Process Emission: None

#### **Emission sources from Scope 2 - energy indirect emissions**

- Energy consumption at head office
- Energy consumption at site offices and construction sites

#### **Emission sources from Scope 3- other indirect emissions**

- Energy consumption at construction sites, which is responsible by contractors or lessee
- Quantity of white paper usage
- Water consumption at head office  
(Water at site office and construction sites is provided by contractors, so source of water cannot be determined)

#### **Exclusion of emission sources (with explanation)**

- Stationary Combustion: Fuel consumption in generators and other stationary machines at head office (Diesel)  
The company cannot operate such machines directly. The cost incurred from operation of such machines will not be considered the operating cost.
- Fugitive Emission: Refrigerants at head office  
The company does not have direct control of centralized air conditioning system. Cost does not include in operating cost. TICON is responsible only for energy consumption of designated

air handling unit (AHU). This consumption has already been included in energy consumption at head office (scope 2).

However, office building management confirms that refrigerant was not replenished at centralized air conditioning system in 2014. For split type air conditioning system at data center room, the system uses refrigerant type R-22, which exclude from reporting boundary.

- Fugitive Emission: Wastewater sludge treatment system at head office

Wastewater treatment system is not operated directly by the company. Treatment system is the activated sludge and sludge is removed commonly.

### Result of monitoring

Scope	Details	Emission (tCO <sub>2</sub> e)	Proportion (internal scope)	Proportion (Scope1 + 2 )
Scope 1	Diesel (Stationary Combustion)	286.47	26%	9%
	Diesel (Mobile Combustion)	644.65	57%	20%
	Gasoline (Mobile Combustion)	190.90	17%	6%
	<b>Total</b>	<b>1,122.02</b>	<b>100%</b>	<b>35%</b>
Scope 2	Electricity (Own Consumption)	2,068.78	100%	65%
	<b>Total</b>	<b>2,068.78</b>	<b>100%</b>	<b>65%</b>
Scope 3	Electricity (Client Consumption)	2,857.25	100%	90%
	Tap Water (H/O Usage)	2.79	0%	0%
	Paper Usage (Stencil,Wax)	0.22	0%	0%
	Paper Usage (Writing, Printing)	5.77	0%	0%
	<b>Total</b>	<b>2,866.03</b>	<b>100%</b>	<b>90%</b>

In conclusion, the ratios of emission sources are ranged from maximum to minimum as below;

1. Energy consumption by the company
2. Fuel consumption form mobile transportation
3. Fuel consumption in stationary, i.e., generators, and fire pump

Therefore, the greenhouse gas emission reduction management and projects development should focus on 3 above consumptions.

Greenhouse gas emissions monitoring of TICON by comparing with other organizations in Thailand, who disclose through Carbon Disclosure Project (CDP) are shown as below;

Organization	CDP-2015 Score	GHGE mission (tCO <sub>2</sub> e)	per FTE (tCO <sub>2</sub> e/person)	per Revenue (tCO <sub>2</sub> e/M THB)	per Net Profit (tCO <sub>2</sub> e/M THB)
PTT EP	100A	5,126,229	1,980	19.69	238.54
PTT GC	100A-	7,456,926	1,359	12.86	495.94
CPF	92C	886,907	14	2.02	83.97
BANPU	91C	Non disclosure			
TRUE	88C	262,262	20	2.23	184.01
PTT	87C	34,182,568	8,054	11.92	612.65
KBANK	84D	75,397	3	0.33	1.63
RATCH	56E	6,515,490	1,278	110.34	1,037.66
BBL	47	Not yet calculation			
TICON		3,191	21	0.52	4.19

Reference: <https://www.cdp.net/CDPResults/CDP-HK-SE-climate-change-report-2015.pdf>

At the present, no laws and regulations has been announced to report greenhouse gas emissions in the organization. A number of companies choose to disclose this data voluntarily to the international database system. In this study, information was accessed through CDP (www.cdp.net), a non-for-profit organization which works with shareholders and corporations to disclose the greenhouse gas emission of corporations. As the preliminary evaluation calculated from all submittal information, it is estimated that TICON's CDP performance score should be within the range of 50 to 75 and disclosure score between D to E. The score is deemed to be highly satisfactory for its first year emission reporting.

The comparison between TICON and other organizations reported in 2014 indicates that the business activities are similar to both TRUE and KBANK. TICON's business activities involve office tasks and management day to day operations. In term of emission per fulltime employee (FTE), TICON's performance is within similar range with CPF and TRUE, while KBANK performs better. Based on the publicly available information, the study shows that TICON's GHG emission is relatively low. However, the number shows that KBANK has the best performance.

## **TICON strategies and policies on GHG emissions management**

1. Establishing the direct responsible team for corporate GHG emissions management, in which the Board (or individual/sub-set of the Board or other committee appointed by the Board) shall be the highest level of direct responsibility to establish and maintain the climate change policies within the organization. The emissions reduction target should be set in both long and short term goals.
2. Develop an effective data collecting system for higher quality, transparent and credibility of GHG inventory
3. Select an organization based on the knowledge and qualifications of their actual verifiers to perform verification of the GHG inventory for the accuracy and completeness of reported GHG information and the conformity of this information
4. Disclose the emission calculation to public and stakeholders
5. Develop GHG emission reduction projects within organization boundary. All employees should participate in project operation such as energy efficiency campaign (affect directly to company's cost)
6. Develop Green purchase policy to supply chain (suppliers, customers and stakeholders) for sustainable development
7. Corporate with government agencies for GHG database management or participate in programs to receive news update and evaluate future impact of GHG emission to the organization.

## **Managing Greenhouse Gas Emissions Policy**

A requirement to report the corporate GHG is the drivers and challenges from governments, companies and their customers in dealing with GHG reporting. Presently, the leading companies have incorporated systems for reducing GHG emissions into their own business and are engaging their suppliers to drive down emissions beyond their own operations. So, the corporate reporting of greenhouse gas emissions is steadily increasing important as a decisive factor for buyers or investors.

1. Carbon Tax: In some countries, the government puts a pollution limit, or cap, on the overall level of carbon pollution from industry which set by regulation. In doing so, a number of countries have implemented carbon taxes or energy taxes that are related to carbon content or emission. In Thailand, study is underway to establish standard for GHG emission limit for each industrial sector i.e., energy, cement, petrochemical industries and etc.
2. PPP (Polluter Pays Principle) is an environmental policy principle which requires that the costs of pollution be borne by those who cause it. This imposes a charge on the emission of greenhouse gases equivalent to the corresponding potential cost caused through future climate change. In this way, a financial incentive is created for a factory, for instance, to minimize its costs by reducing emissions.

### **3. GREEN FACTORY AND WAREHOUSE DEVELOPMENT**

In 2015, the Company developed new factory and warehouse buildings as Green Building prototype. Both buildings were approved to have been constructed to meet the Green Building standard under LEED (Leading Energy and Environmental Design) certification program.

The Green Building factory prototype locates inside Asia Industrial Estate and is 33,000 square meters. It is energy saving building and uses only the environmental friendly construction raw materials which helps tenant save operating costs and reduce green-house gas emissions at the same time. The technology can help reduce temperature in the air so nearby community also gets the benefit of it. As for the Green Building warehouse prototype, it locates in TPARK Bangna and is 25,380 square meters. As well, the technology will help tenant save operating costs a bit.

The Company's Green Building factory is the very first Green Building factory developed in Thailand and gets certified under LEED certification program of the USA. It is expected that the Company will develop more Green Building factories and warehouses in a not so distant future since there have been a number of customers demanding for Green Buildings.

### **4. RESPONSIBILITY FOR EMPLOYEES**

The Company always encourages its employees who would want to improve their English language skill to participate in the English classes guided or taught by their foreigner colleague. Employee of all level can participate without discrimination. All classes are arranged by the Company for its employees free of charge.

In addition, employees always are encouraged by the Company to exercise regularly. They can choose to use the gym. Membership fees have been paid for by the Company. At Somerset Park Suanplu's sports club, employees can access the fitness center, outdoor swimming pool, or tennis court. If employees want to play team sports with their colleagues, the Company allows them to use futsal field or badminton court outside sports club. All charges incurred from their activities either at the futsal field or badminton court will be taken care of by the Company. That is because the Company believes healthy employees can improve their productivity more easily.

## **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.1/2016 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 seven committees, comprising the Board of Directors, the Executive Committee, the Audit Committee, the Compensation Committee, the Nomination Committee, the Risk Management Committee and the Corporate Governance Committee. Each committee is responsible for governing the Company's management operations to maximize the shareholders' benefit with business ethics and treating all stakeholders. The Committees also promote and follow up the progress of the good corporate governance and corporate social responsibility by revising the Company's Corporate Governance Ethical Standards and Code of Business Ethics Handbook as well as providing guidelines and other suggestions needed for the Company's development.

The Company enlisted in the declaration of intention by the Private Sector Collective Action Coalition against Corruption (CAC). Policy amendment is underway for assessment by the Internal Auditor and the Audit Committee for the Company's request for certification from CAC.



## **2. RISK MANAGEMENT**

The Company prioritizes the risk management policy is one of the key policies. The Company has set up the Risk Management Committee, consisting of Directors and Management, to assess external risk factors from the economic situation, government's policy and fluctuation of raw material prices as well as internal risk factors that can affect the Company's objective and business operation. The Committee also assigns a person responsible for the risk in each department and assigns the risk management task as a responsibility of every executive. There is a plan and measure to manage risks, assess risk factors that may affect the Company's business operation and objectives. The Committee follows up on the risk management of each department every quarter and reports to the Board of Directors. The Company also arranges to educate employees of all levels to understand and be aware of the importance of the continuous risk management process.

## **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 Company has a policy to outsource of the Internal Audit functions. Roles of the outsourcing internal auditor were 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. Grant Thornton Services Co., Ltd has been assigned as an outsourcing internal auditor since May 2015. Any appointment, rotation or termination of the Internal Audit must be approved by the Audit Committee.

The Company's Internal Audit Secretary is Ms. Nusra Vongsuksiri. She was appointed 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 2015, 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 2015, the Company has not acquired any plot of land from AIE.

#### **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 7.04 percent directly and indirectly in TICON, as of March 16, 2015.
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 2015, the Company leased office space from the Fund, with the rental fee totaling Baht 15.92 million.

As of December 31, 2015, 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 2015, 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	748.38
Letter of Guarantee	as announced by the bank	197.22
Fixed deposit	as announced by the bank	0
Saving deposit	as announced by the bank	96.21

As at December 31, 2015, the Company had Baht 0.08 million accrued interest expense. However, these had already been settled in early 2016.

### **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 mutual fund units of TFUND, TLOGIS, TGROWTH and trust units of TREIT via Asia Plus Securities Public Co., Ltd. (“ASP”). Mr. Chali Sophonpanich is a director of ASP as well as an authorized director of TICON.

During 2015, the Company made payments for the use of securities trading services to ASP in a total amount of Baht 77,150.09.

As at December 31, 2015, 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 17.6 percent, 16.5 percent and 21.6 percent, respectively. However, income from sales of properties to TFUND/TLOGIS/TGROWTH/TREIT was the major portion of total revenues, representing 73.9 percent, 76.2 percent and 62.6 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/TREIT, including share of profit from investment, property management fee, gain from 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 1,109.7 million, Baht 966.1 million and Baht 1,048.5 million, respectively, representing an increase of 5.4 percent, a decrease of 12.9 percent and an increase of 8.5 percent, respectively. Cost of rental and services for such periods were Baht 261.5 million, Baht 243.5 million and Baht 306.4 million, respectively. Hence, gross rental and service margin turned into 76.4 percent, 74.8 percent and 70.8 percent, as a consequence.

2013 rental and services income increased though 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.

2014 rental and services income declined because the Company had sold a number of properties to TGROWTH in Q4/2013 and some in Q1/2014. Further, demand for rental factories contracted while demand for rental warehouses still increased but at a slower pace which were caused both by the decelerated economy and the cost reduction in real sector.

2015 rental and services income increased since demand for leased warehouses continued to grow from previous year particularly the demand which came from logistics providers. Net new lease of warehouse space also increased from 2014. Most of the new lease warehouse space in 2015 were space of built to suit warehouses.

### **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 TGROWTH and TREIT of Baht 4,663.0 million, Baht 4,460.1 million and Baht 3,037.3 million, representing a 7.6 percent increase, 4.4 percent and 31.9 percent decrease, respectively.

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.

In 2014, the Company had less income from properties sales because less capital expenditure had been planned for in 2014 than in 2013 so fewer assets were sold to property and REIT funds. In Q1/2014, there were one factory sold to TFUND and two other factories leased over long term contracts ("financial lease") to TGROWTH. The Company in 4Q/2014 sold factories and warehouses with some warehouses being financial lease to TREIT.

In 2015, the Company had much less income from properties sales owing to the decline in demand for land. Capital expenditures were mainly for the development of land acquired in preceding years. The Company sold Baht 126.0 million

properties to TFUND in September 2015. In December 2015, Baht 2,911.3 million was recorded as income from properties sales to TREIT.

Sales of properties to TFUND and TLOGIS weremade on freehold basis (true sales)for both land and factory/warehouse buildings. The Company recordedwhole amount as income from sales of properties presented in theincome statement.Meanwhile, sales of properties to TGROWTHand TREIT in 2013and 2014 weremade onleasehold basis forland 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 salesand leasehold for factory/warehouse buildingswere recorded as income from sales of properties presented in income statement, according toTAS 17 (revised 2009) which defines the long-term leasing of buildingsas financial lease.

However, sales of properties to property and REIT 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 2014, the Company sold two factories to other parties. Total sales were recorded at Baht 101.2 million.

In 2015, the Company sold one factory with land to other party at Baht 48.2 million. In addition, the Company sold its land bank to other party and recorded Baht 260.1 million baht as revenues from the sales of property.

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

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

- 1) Share of profit from investment in TFUND, TLOGIS, TGROWTH, TREIT and SLP

The share of profit from investment in TFUND, TLOGIS, TGROWTH, TREIT and SLP 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 216.6 million, Baht 267.1 million and Baht 248.5 million, respectively, representing a 28.0 percent and 23.3 percent increase, and 7.0 percent decrease, in consequence.

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.

In 2014, share of profit from investment in the funds increased by Baht 50.5 million from 2013, because the Company received share of profit from full year operation of TGROWTH (TGROWTH was set up near the end of 2013) and from TREIT, a REIT fund set up near the end of 2014.

In 2015, share of profit from investment in the funds declined from 2014 since the Company's fundholding stake in and earnings of TFUND, TLOGIS, and TGROWTH had dropped. Additionally, the Company received in 2015 Baht 1.8 million share of profit from investment in SLP which develops factories and warehouses for lease in Indonesia.

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

Over the past three years, the Company had property management fees of Baht 152.6 million, Baht 165.3 million and Baht 204.1 million, respectively.

In 2013, this income increased 45.2 percent from TFUND's and TLOGIS's improved performances as well as TLOGIS's income from insurance claim in regard to the floods.

In 2014, the Company received Baht 165.3 million income from management of properties, an increase of 8.3 percent from previous year, owing to TGROWTH was set up in Q4/2013.

In 2015, the Company had property management income of Baht 204.1 million. The appointment for the Company to be property manager of TREIT

resulted in 23.5 percent increase in property management income in 2015. TREIT was set up in Q4/2014.

The Company as the property manager of three property funds and a trust fund, has obligation 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. As for TREIT, the Company has obligation on guarantee of rental income and others for TREIT (Please see under 1.2.1 Provision related to sales of properties)

3) Gain on sales of investment in associated companies

During the past three years, the Company sold some investment in TFUND, TLOGIS and TGROWTH for management of the Company's cash flow and made some gains i.e. Baht 170.1 million, Baht 1.5 million and Baht 126.3 million, respectively. The gain on sales was recorded as a part of other income.

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

A gain may occur when TFUND, TLOGIS, TGROWTH and TREIT 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 154.5 million, Baht 41.4 million and Baht 246.7 million, respectively.

Big gain came from reduction of the Company's stake in TFUND/TLOGIS in 2013 and TFUND managed to sell three factories to other parties during the year.

In 2014, the realized additional gain on sales of properties to funds was less because the Company reduced its stake in the funds less than it did in 2013. The stake reduction in TGROWTH was only 1.2 percent in 2014. In addition, TFUND sold only one factory to other party during the year.

In 2015, the Company realized additional gain on sales of properties to funds of Baht 246.7 million. The gain was decent since the Company reduced its stake in three property funds: 5.2 percent in TFUND, 3.8 percent in TLOGIS

and 1.9 percent in TGROWTH. Moreover, TFUND sold three factories to other parties during the year.

#### **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.

##### **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 2013, the Company received insurance claims for renovation expenses for flood-affected properties and for the loss of rental income amounting to Baht 69.7 million.

In 2014, insurance claims revenue was Baht 2.4 million because there had been incident of loss from flood in 2013.

In 2015, there was no insurance claim revenue received by the Company.

## **1.2 Expenses**

### **1.2.1 Provision related to sales of properties**

In 2014, the Company set up provision related to sales of properties worth Baht 118.0 million which derived from sales and financial lease of properties to TREIT in December 2014. The Company has obligations on guarantee of rental income for TREIT's properties which were emptied on the transfer date and on guarantee of income from the "option to buy" contracts should tenants exercise their options at TREIT. Such obligations were booked under expense item in the Company's

income statement and under liabilities item as both short-term and long-term provisions in the Company's statement of financial position. Total amount of the provision was Baht 133.2 million and the difference of Baht 15.24 million was booked as deferred gains on sales of properties to funds in accordance with the Company's stake in TREIT (12 percent).

In 2015, the Company set up provision related to sales of properties worth Baht 33.3 million which derived from sales and financial lease of properties to TREIT in December 2015. The Company has obligations on guarantee of rental income for TREIT's properties which were emptied on the transfer date. Such obligations were booked under expense item in the Company's income statement and under liabilities item as both short-term and long-term provisions in the Company's statement of financial position. Total amount of the provision was Baht 50.3 million and the difference of Baht 9.9 million was booked as deferred gains on sales of properties to funds in accordance with the Company's stake in TREIT (19.6 percent).

During the year, the Company transferred back provisions related to the sales of properties valued Baht 8.1 million because guarantee of income from the "option to buy" contracts had declined since tenant with "option to buy" prematurely terminated lease contracts.

### **1.2.2 Selling and administrative expenses**

Over the past three years, selling and administrative expenses were Baht 715.6 million, Baht 769.5 million and Baht 756.9 million, respectively, representing a 65.6 percent and 7.5 percent increase and 1.6 percent decrease, in consequence.

The major elements of selling and administrative expenses were employee related expenses and depreciation of vacant factories/warehouses, approximately 65.1 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.

In 2014, the Company's selling and administrative expenses were Baht 769.5 million which increased Baht 53.9 million or 7.53 percent from the expenses in 2013. Most of the increase were higher depreciation cost from vacant factories/warehouses and employment costs which was in line with the Company's business expansion.

In 2015, the Company's selling and administrative expenses were Baht 756.9 million which decreased Baht 12.6 million from the expenses in previous year. The decline was from the decrease in selling expenses most of which were advertising expenses and in 2014 the Company had more expenses relating to sales of properties to TREIT than in 2015. Moreover, the Company had lower administrative expenses in 2015 because repair and maintenance of available buildings cost had been lower.

### **1.2.3 Finance Cost**

Over the past three years, finance cost were Baht 546.4 million, Baht 642.6 million and Baht 762.2 million, respectively, representing a 33.0 percent, 17.6 percent and 18.6 percent increase each year.

Interest expenses were the significant element of finance cost, representing 98.6 percent. The rest were expenses in relation to the provision for financing.

The finance cost surged in 2013 and 2014, due mainly from the substantial increase

in borrowing, corresponding to the Company's business expansion. However, in 2015, the Company had fewer factory/warehouse expansion, comparing to that in 2013 and 2014 although there was capital spent by the Company in 2015 to invest in joint venture with foreign partners to expand factory/warehouse leasing business in ASEAN country.

## **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 45.5 percent, 37.8 percent and 38.4 percent, respectively.

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.

In 2014, the Company's gross profit margin declined because gross properties sales margin dropped as more warehouses than factories were sold and financial leased to the funds. Warehouse sales margin was lower than factory sales margin. Further, built to suit warehouse sales margin was less than that of the ready built ones. Also, gross rental margin subsided.

In 2015, the Company's gross profit margin slightly increased because there had been profit from the sales of land bank to other party which had high gross margin versus none in 2014. However, the gross rental margin and the properties sales margin were both lower because the Company had received more rental income from warehouse lease and there had been more warehouses sold to TREIT than factories. Warehouse rental income and warehouse sales income both have lower gross margins than those of factories owing to higher construction cost.

### **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 1,414.2 million, Baht 761.6 million and Baht 769.7 million, respectively. Earnings per share were Baht 1.56, Baht 0.76 and Baht 0.70, as a consequence.

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.

In 2014, the Company's net profit dropped Baht 652.7 million or decreased by 46.2 percent because it had less income from both rental and properties sales business. Other income also dropped as the Company did not reduce any of its stake in property funds during the year. Further, the Company had higher expense from the provision related to sales of properties to TREIT near the end of 2014. Selling and administrative expenses, finance cost all lifted up because of the Company's business expansion.



In 2015, the Company's net profit slightly increased by 1.1 percent. Operating profit in 2015 was close to that in 2014; however, the Company had huge profit from sales of investment in property funds. Moreover, property management fees increased from inclusion of TREIT's assets under the Company's management. Further, the Company successfully managed down all expenses in 2015 which resulted in lower selling and administrative costs.

## **2. FINANCIAL STATUS**

### **2.1 Assets**

As at December 31, 2015, the Company had total assets of Baht 36,293.8 million. 82.9 percent of the total assets were investment properties, and 9.9 percent of the total assets were investment in TFUND, TLOGIS, TGROWTH, TREIT and SLP.

The Company's total assets rose by Baht 5,084.6 million, a 16.3 percent increase from the previous year. The main reasons were the increase in investment properties, investment in subsidiaries/associated and related firms, and cash/cash equivalent items.

#### **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 17,261.3 million, Baht 23,914.3 million and Baht 30,074.9 million, respectively.

The rising in the investment properties-net of those sold to TFUND/TLOGIS/TGROWTH/TREIT-in 2013 by 26.1 percent, in 2014 by 38.5 percent, and in 2015 by 25.8 percent, reflected the Company's business expansion with substantial increase in land acquisition and factories/warehouses development, in response to considerable demand. In addition, there was change in accounting method from recording the common area of each project as the Company's property, plants and equipment to record under the Company's investment properties.

#### **2.1.2 Property, plant and equipment ("PPE")**

Approximately 85.3 percent of the PPE are land and land improvement. In 2013 and 2014, the PPE rose by 26.4 percent and 45.5 percent, respectively, due mainly to more project development as already mentioned.

As at December 31, 2015, the Company had PPE of Baht 183.2 million, decreased Baht 1,410.2 million or 88.5 percent because there had been change in accounting method from recording the common area of each project as the Company's property, plants and equipment to record under the Company's investment properties totaling Baht 1,333.1 million.

### **2.1.3 Current investments**

As at December 31, 2015, the Company had current investments of Baht 22.2 million, decreased Baht 235.5 million from the amount in 2014 or a 91.4 percent drop. The reason was because the Company had partially sold its investment in property funds and the Bills of Exchange issued by domestic commercial banks had expired. The Baht 22.2 million current investments mainly were fixed term deposits at commercial banks which had low investment risk but its yield was better than that of savings deposit.

### **2.1.4 Trade accounts receivables–net**

During the past three years, the Company had net trade accounts receivables of Baht 43.5 million, Baht 63.1 million and Baht 55.1 million, respectively.

As at December 31, 2015, net trade accounts receivables was Baht 55.1 million comprising of receivables past due of up to 3 months, Baht 22.1 million, or 40.1 percent of total net trade account receivables, and unbilled operating leases receivables, Baht 14.3 million, or 26.0 percent of total net trade receivables.

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.

### **2.1.5 Advances for construction**

As at December 31, 2015, the Company had advances for construction of Baht 73.9 million, decreased Baht 96.5 million from the amount in 2014. The advances for construction were amount pre-paid to sub-contractors for warehouse construction.

### **2.1.6 Pledged fixed deposit**

As at December 31, 2015, the Company had a pledged fixed deposit of Baht 57.4 million, decreased Baht 13.2 million from the amount in 2014 because it had been

estimated that the provisions related to properties sales in 2015 would be lower than in 2014 so the Company placed a smaller amount of deposit in 2015 to pledge with bank as collateral for TREIT guarantee. The deposit had been pledged with commercial bank as collateral for TREIT guarantee, letters of credits, trust receipts, and letters of guarantees issued in favor of a government entity, state enterprises and private companies.

### 2.1.7 Investment

At the end of 2015, 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 0.1 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 19,515.0 million, representing 56.6 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 0.2 percent of the Company's total assets.
- d. Investment in TICON Management Co., Ltd. (a subsidiary) of 70 percent of its paid-up capital, with the investment amount under the cost method of Baht 7.0 million, representing 0.02 percent of the Company's total assets.
- e. Investment in TICON (Hong Kong) Co., Ltd. (a subsidiary) of 100 percent of its paid-up capital, with the investment amount under the cost method of Baht 413.4 million, representing 1.2 percent of the Company's total assets.
- f. Investment in TICON Property Fund (an associated company) of 18.46 percent of the fund's capital. The investment amount under the equity method was Baht 994.9 million, representing 2.7 percent of the Company's consolidated total assets, and the investment amount under the cost method was Baht 2,194.4 million, or 6.4 percent of the Company's total assets.
- g. Investment in TPARK Logistics Property Fund (an associated company) of 16.21 percent of the fund's capital. The investment amount under the equity method was Baht 457.4 million, representing 1.3 percent of the Company's

consolidated total assets, and the investment amount under the cost method was Baht 741.4 million, or 2.2 percent of the Company's total assets.

- h. Investment in TICON Industrial Growth Leasehold Property Fund (an associated company) of 25.48 percent of the fund's capital. The investment amount under the equity method was Baht 837.3 million, representing 2.3 percent of the Company's consolidated total assets, and the investment amount under the cost method was Baht 1,414.2 million, or 4.1 percent of the Company's total assets.
- i. Investment in TICON Real Estate Investment Trust Fund (an associated company) through a subsidiary company's holding of 19.62 percent of the fund's capital. The investment amount under the equity method was Baht 863.3 million, representing 2.4 percent of the Company's consolidated total assets, and the investment amount under the cost method was Baht 1,113.6 million, or 3.2 percent of the Company's total assets
- j. PT SLP Surya TICON Internusa (a joint venture company) through a subsidiary company's holding of 25 percent of its registered capital. The investment amount under the equity method was Baht 421.6 million, representing 1.2 percent of the Company's consolidated total assets, and the investment amount under the cost method was Baht 414.2 million, or 99.9 percent of the Company's total assets
- k. Investment in TICON Demco Power 6 Co., Ltd. (a joint venture company) through a subsidiary company's holding of 51 percent of its registered capital. The investment amount under the equity method was Baht 2.2 million, representing 0.01 percent of the Company's consolidated total assets, and the investment amount under the cost method was Baht 2.6 million, or 0.01 percent of the Company's total assets
- l. Investment in TICON Demco Power 11 Co., Ltd. (a joint venture company) through a subsidiary company's holding of 51 percent of its registered capital. The investment amount under the equity method was Baht 1.8 million, representing 0.01 percent of the Company's consolidated total assets, and the investment amount under the cost method was Baht 2.0 million, or 0.01 percent of the Company's total assets.
- m. 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**

As at December 31, 2015, the Company had deferred tax assets of Baht 28.3 million, most of which related to corporate income tax entitlement in respect of unrealized gain from sales of properties to TFUND/TLOGIS/TGROWTH/TREIT.

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/TREIT, 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/TREIT, 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**

As at December 31, 2015, the Company did not have a deposit for land acquisition whereas the amount was Baht 461.7 million in 2014. The deposit was paid in accordance with the agreements to purchase land from sellers.

### **2.1.10 Prepaid rental expenses**

As at December 31, 2015, the Company had prepaid rental expenses of Baht 714.9 million, which decreased Baht 43.3 million from 2014. Prepaid rental expenses are item which occurred from the Company's long-term lease of land for future warehouse development. Such item will be realized as expense throughout the lease term.

## **2.2 Liabilities**

As at December 31, 2015, the Company had total liabilities of Baht 24,604.3 million, increased by Baht 4,860.8 million, or 24.6 percent, from those of 2014.

The majority of the total liabilities were loans and debentures, representing 89.4 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 2015 was Baht 22,005.3 million, increased by Baht 4,779.5 million, or 27.8 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 9.3 percent, long-term loans of 8.1 percent, and debentures of 82.6 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.

As at December 31, 2015, the outstanding balance of the debentures was Baht 18,190.0 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**

As at December 31, 2015, the Company had trade payables of Baht 345.2 million, most of which were related to the Company's factory and warehouse development. Trade payables decreased by Baht 59.9 million, or dropped 14.8 percent from 2014.

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

As at December 31, 2015, the Company had corporate income tax payable of Baht 0.7 million, decreased by Baht 82.8 million from the previous year. This was because of the profit from sales of properties to TREIT.

#### **2.2.4 Short-term and long-term provisions**

As at December 31, 2015, the Company had total provisions of Baht 136.0 million. Short-term provisions were Baht 76.3 million and long-term provisions were Baht 59.7 million. Provisions were due mainly to the sales of properties to TREIT (Please see under 1.2.1 Provision related to sales of properties)

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

As at December 31, 2015, the Company had Baht 32.2 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 adopted 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**

As at December 31, 2015, The Company had unearned land rental income of Baht 1,382.5 million which was income from land leasing over 30 years to TGROWTH. In 2014 and 2015, there were more land leased to TREIT over a period of 28 to 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**

As at December 31, 2015, the Company had shareholders' equity of Baht 11,689.5 million, increased by Baht 223.9 million, representing a 2.0 percent increase from the previous year. The increase came from the growth in the Company'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, TGROWTH in

2013 and TREIT in 2014, 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, there also were TICON-T2 TSRs (Transferable Subscription Rights) issued in Q2/2014 all of which expired in 2014.

## 2.5 Liquidity

As at December 31, 2015, the Company had net cash received from operations amounting to Baht 3,247.3 million, net cash used for investment of Baht 6,672.4 million, and net cash received from financing of Baht 4,230.1 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.)

As at December 31, 2015, 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 1.88 times, more than 1.50 times in the previous year, because in 2015 the Company had to borrow for its warehouse construction which reflected that the Company was able to efficiently manage the debt to equity ratio under its current debt covenant.

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 2015 of 2.35 times, which reflected the Company's high ability to service its finance cost. The Company never defaults on any interest payment.



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

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

The ratio was 1.02 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 2015 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 2015 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 2015

## **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 2015, 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 judgement, 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 2015, and their financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.



Rosaporn Decharkom

Certified Public Accountant (Thailand) No. 5659

EY Office Limited

Bangkok: 25 February 2016

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

**Statement of financial position**

**As at 31 December 2015**

(Unit: Baht)

		<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<b>Note</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	6, 7	1,133,889,840	202,079,981	1,068,081,086	77,842,107
Current investments	8	22,183,200	257,684,596	-	130,000,000
Trade and other receivables	6, 9	94,959,070	87,093,174	42,333,851	45,465,470
Advances for construction		73,932,586	170,400,699	10,848,835	20,414,776
Other current assets	6	223,656,949	142,859,537	47,784,824	18,935,794
<b>Total current assets</b>		<b>1,548,621,645</b>	<b>860,117,987</b>	<b>1,169,048,596</b>	<b>292,658,147</b>
<b>Non-current assets</b>					
Pledged deposits at financial institution	6, 10	57,430,970	70,622,500	57,190,970	70,382,500
Unbilled operating leases receivables		80,315,732	49,649,272	10,064,616	9,228,637
Long-term loans to related company	6	-	-	-	1,820,000,000
Investments in subsidiaries	11	-	-	20,070,806,949	14,846,573,800
Investments in joint ventures	12	4,068,278	4,204,581	-	-
Investments in associates	13	3,574,453,894	3,316,426,735	5,463,660,270	5,240,529,157
Investment in related company		256,500	256,500	256,500	256,500
Investment properties under development and available for rent/sale	14.1	20,305,645,310	17,179,746,392	5,618,829,175	4,462,940,954
Investment properties for rent	14.2	9,769,269,931	6,734,568,197	2,048,887,014	2,083,528,053
Property, plant and equipment	15	183,226,195	1,593,453,385	20,145,842	116,464,973
Computer software	16	3,759,395	5,175,770	2,347,916	3,572,530
Deferred tax assets	26	28,296,844	90,974,343	-	-
Deposits for purchase of property	6	-	461,741,775	-	228,385,200
Prepaid rental expenses		714,983,875	758,269,438	-	-
Other non-current assets	6	23,430,829	83,914,681	16,267,445	15,511,425
<b>Total non-current assets</b>		<b>34,745,137,753</b>	<b>30,349,003,569</b>	<b>33,308,456,697</b>	<b>28,897,373,729</b>
<b>Total assets</b>		<b>36,293,759,398</b>	<b>31,209,121,556</b>	<b>34,477,505,293</b>	<b>29,190,031,876</b>

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 2015**

(Unit: Baht)

		<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<b>Note</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Liabilities and shareholders' equity</b>					
<b>Current liabilities</b>					
Short-term loans	6, 17	2,040,000,000	660,000,000	2,040,000,000	660,000,000
Short-term loans from related party	6	-	-	291,500,000	-
Trade and other payables	6, 18	606,336,905	660,753,670	270,619,153	329,307,500
Current portion of liabilities under financial lease agreements	19	1,149,769	685,676	-	-
Current portion of long-term loans from related party	6	71,600,000	-	-	-
Current portion of long-term loans	20	304,899,175	55,000,000	140,000,000	55,000,000
Current portion of debentures	21	3,250,000,000	2,170,000,000	3,250,000,000	2,170,000,000
Income tax payable		684,258	83,498,409	-	83,430,230
Short-term provisions	24.2	76,327,864	39,406,040	10,769,472	5,562,097
Other current liabilities	6	134,226,163	139,188,168	39,907,439	38,844,639
<b>Total current liabilities</b>		<b>6,485,224,134</b>	<b>3,808,531,963</b>	<b>6,042,796,064</b>	<b>3,342,144,466</b>
<b>Non-current liabilities</b>					
Liabilities under financial lease agreements	19	2,910,640	2,531,583	-	-
Long-term loans from related party	6	676,780,000	748,380,000	-	-
Long-term loans	20	721,980,935	952,383,116	671,980,935	451,501,941
Debentures	21	14,940,000,000	12,640,000,000	14,940,000,000	12,640,000,000
Provision for long-term employee benefits	22	32,204,791	28,404,540	25,299,855	24,581,796
Long-term provisions	24.2	59,690,523	93,785,312	46,421,498	65,228,113
Deferred tax liabilities	26	-	-	173,160,411	138,730,407
Customer deposits		302,984,207	283,718,574	103,652,982	119,271,715
Unearned land rental income	6	1,382,486,942	1,185,761,781	428,745,850	355,203,635
<b>Total non-current liabilities</b>		<b>18,119,038,038</b>	<b>15,934,964,906</b>	<b>16,389,261,531</b>	<b>13,794,517,607</b>
<b>Total liabilities</b>		<b>24,604,262,172</b>	<b>19,743,496,869</b>	<b>22,432,057,595</b>	<b>17,136,662,073</b>

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

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

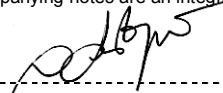

**Statement of financial position (continued)**

**As at 31 December 2015**

(Unit: Baht)

	<u>Note</u>	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
		<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
<b>Shareholders' equity</b>					
Share capital					
Registered					
1,115,941,811 ordinary shares of Baht 1 each		1,115,941,811	1,115,941,811	1,115,941,811	1,115,941,811
Issued and paid up					
1,099,142,375 ordinary shares of Baht 1 each		1,099,142,375	1,099,142,375	1,099,142,375	1,099,142,375
Premium on ordinary shares		7,343,380,077	7,343,380,077	7,343,380,077	7,343,380,077
Retained earnings					
Appropriated - statutory reserve	23	126,374,017	126,374,017	126,374,017	126,374,017
Unappropriated		3,052,854,276	2,831,850,724	3,476,551,229	3,484,473,334
Other components of shareholders' equity		65,265,091	63,613,940	-	-
Equity attributable to owners of the Company		11,687,015,836	11,464,361,133	12,045,447,698	12,053,369,803
Non-controlling interests of the subsidiaries		2,481,390	1,263,554	-	-
<b>Total shareholders' equity</b>		<b>11,689,497,226</b>	<b>11,465,624,687</b>	<b>12,045,447,698</b>	<b>12,053,369,803</b>
<b>Total liabilities and shareholders' equity</b>		<b>36,293,759,398</b>	<b>31,209,121,556</b>	<b>34,477,505,293</b>	<b>29,190,031,876</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 2015**

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2015	2014	2015	2014
Revenues					
Rental and related service income	6	1,048,547,425	966,056,776	357,462,904	456,144,938
Revenues from service	6	30,157,752	54,158,944	22,666,536	40,936,996
Sales of properties	6, 24.1	3,345,605,866	4,561,275,648	652,330,421	1,989,763,854
Utility income		35,624,500	37,951,787	8,726,644	10,960,052
Dividend income from subsidiary	6, 11	-	-	458,499,966	16,749,946
Dividend income from associates	6, 13	-	-	367,643,459	380,516,435
Management fee income from associates	6	204,123,010	165,340,654	128,274,086	127,295,354
Interest income	6	6,521,222	8,248,646	65,498,489	439,467,930
Other income		183,350,353	63,424,910	85,816,186	115,057,280
Total revenues		4,853,930,128	5,856,457,365	2,146,918,691	3,576,892,785
Expenses					
Cost of rental and related services		306,394,792	243,451,489	79,784,653	87,454,875
Cost of service		22,955,582	46,922,933	20,402,889	35,590,085
Cost of sales of properties	24.1	2,401,415,858	3,192,138,735	341,092,339	999,061,233
Cost of utilities		29,089,888	34,495,282	8,709,589	10,712,901
Provision related to sales of properties (reversal)	24.2	33,316,822	117,963,265	(8,037,142)	70,928,113
Selling expenses		36,437,352	68,110,148	11,228,063	16,405,787
Administrative expenses	6	435,853,810	445,599,126	284,289,201	290,688,690
Depreciation		284,594,909	255,745,555	90,903,449	63,707,423
Other expenses		9,693,406	4,012,381	586,296	3,986,426
Total expenses		3,559,752,419	4,408,438,914	828,959,337	1,578,535,533

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

**TICON Industrial Connection Public Company Limited and its subsidiaries**  
**Income statement (continued)**  
**For the year ended 31 December 2015**

(Unit: Baht)

		<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<b>Note</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Profit before share of profit (loss) from investments</b>					
<b>in associates and joint ventures, realised additional</b>					
<b>gains on sales of properties to associates, deferred gains</b>					
<b>on sales of properties to associates, finance cost and</b>					
<b>income tax expense</b>		1,294,177,709	1,448,018,451	1,317,959,354	1,998,357,252
Shares of profit from investments in associates	13	248,467,200	267,126,079	-	-
Shares of loss from investments in joint ventures	12	(136,303)	(385,419)	-	-
Realised additional gains on sales of properties					
to associates	13	246,687,892	41,367,476	-	-
Deferred gains on sales of properties to associates	13	(166,262,378)	(213,420,009)	-	-
<b>Profit before finance cost and</b>					
<b>income tax expense</b>		1,622,934,120	1,542,706,578	1,317,959,354	1,998,357,252
Finance cost	6	(762,212,682)	(642,612,985)	(744,241,629)	(621,190,504)
<b>Profit before income tax expense</b>		860,721,438	900,093,593	573,717,725	1,377,166,748
Income tax expenses	26	(89,762,276)	(138,523,135)	(33,964,332)	(152,639,352)
<b>Profit for the year</b>		<u>770,959,162</u>	<u>761,570,458</u>	<u>539,753,393</u>	<u>1,224,527,396</u>
<b>Profit attributable to:</b>					
Equity holders of the Company		769,741,292	761,735,050	539,753,393	1,224,527,396
Non-controlling interests of the subsidiaries		1,217,870	(164,592)		
		<u>770,959,162</u>	<u>761,570,458</u>		
<b>Earnings per share</b>	28				
Basic earnings per share					
Profit attributable to equity holders of the Company		<u>0.70</u>	<u>0.76</u>	<u>0.49</u>	<u>1.22</u>
Diluted earnings per share					
Profit attributable to equity holders of the Company		<u>0.70</u>	<u>0.76</u>	<u>0.49</u>	<u>1.22</u>

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 2015**

(Unit: Baht)

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
<b>Profit for the year</b>	<u>770,959,162</u>	<u>761,570,458</u>	<u>539,753,393</u>	<u>1,224,527,396</u>
<b>Other comprehensive income:</b>				
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>				
Exchange differences on translation of financial statements in foreign currency	1,651,151	(592,999)	-	-
Actuarial gain	1,000,559	-	2,328,361	-
Less: Income tax effect	(200,112)	-	(465,672)	-
Other comprehensive income not to be reclassified to profit or loss in subsequent periods - net of income tax	<u>2,451,598</u>	<u>(592,999)</u>	<u>1,862,689</u>	<u>-</u>
<b>Other comprehensive income for the year</b>	<u>2,451,598</u>	<u>(592,999)</u>	<u>1,862,689</u>	<u>-</u>
<b>Total comprehensive income for the year</b>	<u><u>773,410,760</u></u>	<u><u>760,977,459</u></u>	<u><u>541,616,082</u></u>	<u><u>1,224,527,396</u></u>
<b>Total comprehensive income attributable to:</b>				
Equity holders of the Company	772,192,890	761,142,051	541,616,082	1,224,527,396
Non-controlling interests of the subsidiaries	<u>1,217,870</u>	<u>(164,592)</u>	<u>-</u>	<u>-</u>
	<u><u>773,410,760</u></u>	<u><u>760,977,459</u></u>	<u><u>541,616,082</u></u>	<u><u>1,224,527,396</u></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 2015**

(Unit: Baht)

	Consolidated financial statements									
	Equity attributable to owners of the Company									
	Other components of equity									
	<div>Other</div> <div>comprehensive income</div> <div>Exchange differences on translation of financial statements in foreign currency</div> <div>Surplus (deficit) from the change in the ownership interest in subsidiaries</div> <div>Total other components of shareholders' equity</div> <div>Total equity attributable to owners of the Company</div> <div>Equity attributable to non-controlling interests of the subsidiaries</div> <div>Total shareholders' equity</div>									
<b>Balance as at 31 December 2013</b>										
Profit for the year	912,376,439			15,685,131	(20,050,000)	(4,364,869)	8,687,759,368	8	8,687,759,376	
Other comprehensive income for the year	-	-	-	-	-	-	761,735,050	(164,592)	761,570,458	
Total comprehensive income for the year	-	-	-	(592,999)	-	(592,999)	(592,999)	-	(592,999)	
Converted right to purchase ordinary shares to share capital	186,765,936	2,673,908,133	-	(592,999)	-	(592,999)	761,142,051	(164,592)	760,977,459	
Dividends paid (Note 31)	-	-	-	-	-	-	-	-	-	
Surplus from the change in the ownership interest in subsidiary (Note 11)	-	-	-	-	68,571,808	68,571,808	68,571,808	1,428,192	70,000,000	
<b>Balance as at 31 December 2014</b>	1,099,142,375	7,343,380,077	126,374,017	15,092,132	48,521,808	63,613,940	11,464,361,133	1,263,554	11,465,624,687	
<b>Balance as at 31 December 2014</b>	1,099,142,375	7,343,380,077	126,374,017	15,092,132	48,521,808	63,613,940	11,464,361,133	1,263,554	11,465,624,687	
Profit for the year	-	-	-	-	-	-	769,741,292	1,217,870	770,959,162	
Other comprehensive income for the year	-	-	-	1,651,151	-	1,651,151	2,451,598	-	2,451,598	
Total comprehensive income for the year	-	-	-	1,651,151	-	1,651,151	772,192,890	1,217,870	773,410,760	
Dividends paid (Note 31)	-	-	-	-	-	-	(549,538,187)	(34)	(549,538,221)	
<b>Balance as at 31 December 2015</b>	1,099,142,375	7,343,380,077	126,374,017	16,743,283	48,521,808	65,265,091	11,687,015,836	2,481,390	11,689,497,226	

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 2015**

(Unit: Baht)

	Separate financial statements				
	Issued and fully paid-up share capital	Premium on ordinary shares	Retained earnings		Total shareholders' equity
			Statutory reserve	Unappropriated	
<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
Profit for the year	-	-	-	1,224,527,396	1,224,527,396
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	-	1,224,527,396	1,224,527,396
Converted right to purchase ordinary shares to share capital	186,765,936	2,673,908,133	-	-	2,860,674,069
Dividend paid (Note 31)	-	-	-	(913,786,163)	(913,786,163)
<b>Balance as at 31 December 2014</b>	<u>1,099,142,375</u>	<u>7,343,380,077</u>	<u>126,374,017</u>	<u>3,484,473,334</u>	<u>12,053,369,803</u>
<b>Balance as at 31 December 2014</b>	1,099,142,375	7,343,380,077	126,374,017	3,484,473,334	12,053,369,803
Profit for the year	-	-	-	539,753,393	539,753,393
Other comprehensive income for the year	-	-	-	1,862,689	1,862,689
Total comprehensive income for the year	-	-	-	541,616,082	541,616,082
Dividend paid (Note 31)	-	-	-	(549,538,187)	(549,538,187)
<b>Balance as at 31 December 2015</b>	<u>1,099,142,375</u>	<u>7,343,380,077</u>	<u>126,374,017</u>	<u>3,476,551,229</u>	<u>12,045,447,698</u>

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 2015**

(Unit: Baht)

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Cash flows from operating activities</b>				
Profit before tax	860,721,438	900,093,593	573,717,725	1,377,166,748
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	522,574,498	432,867,339	151,124,519	132,926,353
Doubtful accounts (reversal)	-	3,954,503	-	3,986,423
Dividend income from subsidiary	-	-	(458,499,966)	(16,749,946)
Dividend income from associates	-	-	(367,643,459)	(380,516,435)
Cost of sales of properties	2,280,414,365	3,037,013,320	323,331,160	929,985,556
Losses (gains) on sales/write-off of property, plant and equipment	8,767,850	(299,240)	582,899	(303,014)
Gains on sales of investments in subsidiary	-	-	-	(67,000,000)
Gains on sales of investments in associates	(126,299,966)	(1,495,500)	(44,423,878)	(4,473,250)
Loss from write-off of investment in subsidiary dissolved	5,150,496	-	4,962,247	-
Translation adjustments from subsidiary dissolved	(12,722,177)	-	-	-
Unrealised gain on exchange	(3,385)	-	(3,385)	-
Long-term employee benefit expenses	4,800,810	3,059,755	3,046,420	2,230,771
Provision related to sales of properties (reversal)	33,316,822	117,963,265	(8,037,142)	70,928,113
Share of profit from investments in associates	(248,467,200)	(267,126,079)	-	-
Share of losses from investments in joint ventures	136,303	385,419	-	-
Realised additional gains on sales of properties to associates	(246,687,892)	(41,367,476)	-	-
Deferred gains on sales of properties to associates	166,262,378	213,420,009	-	-
Interest income	(6,521,222)	(8,248,645)	(65,498,489)	(439,467,930)
Interest expenses	751,327,944	634,410,604	733,356,892	612,988,124
Profit from operating activities before changes in operating assets and liabilities	3,992,771,062	5,024,630,867	846,015,543	2,221,701,513
Operating assets (increase) decrease				
Trade and other receivables	(38,522,116)	(19,881,793)	1,201,546	75,695,067
Advances for construction	96,468,113	(37,446,691)	9,565,941	1,535,640
Other current assets	(11,501,452)	(32,440,954)	(557,776)	(503,247)
Prepaid rental expenses	(36,198,914)	(409,334,079)	-	-
Other non-current assets	(543,910)	(64,588,964)	(756,021)	2,435,979
Operating liabilities increase (decrease)				
Other payables	(28,778,732)	(6,689,258)	(22,561,643)	3,537,143
Other current liabilities	(4,962,006)	(57,412,398)	1,062,799	(64,963,873)
Provisions	(39,388,346)	133,191,352	(5,562,097)	70,790,210
Customer deposits	19,265,633	(22,285,128)	(15,618,733)	(48,755,862)
Unearned land rental income	196,725,161	263,010,975	73,542,215	27,109,190
Cash flows from operating activities	4,145,334,493	4,770,753,929	886,331,774	2,288,581,760
Interest received	6,514,367	8,373,193	5,807,967	7,509,774
Cash paid for interest expense	(721,660,943)	(563,679,674)	(703,528,682)	(541,984,336)
Cash paid for income tax	(182,923,079)	(117,105,232)	(107,292,937)	(38,980,648)
<b>Net cash flows from operating activities</b>	<b>3,247,264,838</b>	<b>4,098,342,216</b>	<b>81,318,122</b>	<b>1,715,126,550</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 2015**

(Unit: Baht)

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Cash flows from investing activities</b>				
Decrease (increase) in current investments	103,001,396	(115,525,892)	-	-
Increase in investments in associates	(1,136,478,852)	(701,749,642)	(1,141,697,259)	(290,749,642)
Increase in investments in subsidiaries	-	-	(5,413,423,149)	(12,000,000,000)
Increase in investments in joint ventures	-	(4,590,000)	-	-
Proceeds from sales of investments in associates	955,472,500	359,867,500	955,472,500	359,867,500
Cash received from decrease in value of trust units from capital reduction	15,786,399	-	7,517,524	-
Proceeds from sales of investment in a subsidiary	7,571,681	70,000,000	184,187,221	70,000,000
Decrease (increase) in pledged deposits at financial institution	13,191,530	(70,382,500)	13,191,530	(70,382,500)
Cash receipt from long-term loans to subsidiary	-	-	6,879,999,850	14,182,955,242
Cash paid for long-term loans to subsidiary	-	-	(5,059,999,850)	(6,927,000,000)
Cash paid for acquisition of investment properties under development and available for rent/sale	(6,924,837,057)	(7,038,526,606)	(1,338,655,824)	(1,788,187,992)
Cash paid for acquisitions of equipment	(13,519,342)	(18,412,444)	(4,873,103)	(11,153,435)
Cash paid for deposits for purchase of properties	(73,914,283)	(876,368,665)	-	(218,230,620)
Cash paid for acquisition of computer software	(177,849)	(1,790,931)	(152,673)	(1,737,613)
Interest income from subsidiary	-	-	60,828,534	432,000,000
Dividend received from subsidiary	-	-	458,499,966	16,749,946
Dividend received from associates	376,942,736	380,516,435	367,643,459	380,516,435
Proceeds from sales of equipment	4,522,573	582,907	2,781,525	582,569
<b>Net cash flows used in investing activities</b>	<b>(6,672,438,568)</b>	<b>(8,016,379,838)</b>	<b>(4,028,679,749)</b>	<b>(5,864,770,110)</b>
<b>Cash flows from financing activities</b>				
Increase (decrease) in short-term loans	1,380,000,000	(1,448,000,000)	1,380,000,000	(1,448,000,000)
Cash receipt from short-term loans from related party	-	-	291,500,000	-
Cash receipt from long-term loans from related party	-	41,080,000	-	-
Cash receipt from long-term loans	488,721,977	791,774,000	438,721,977	491,774,000
Proceeds from issuance of debentures	5,550,000,000	4,280,000,000	5,550,000,000	4,280,000,000
Repayments of long-term loans	(469,224,983)	(1,038,257,371)	(133,242,983)	(336,517,371)
Redemptions of debentures	(2,170,000,000)	(1,080,000,000)	(2,170,000,000)	(1,080,000,000)
Proceeds from increase in share capital	-	2,860,674,069	-	2,860,674,069
Dividends paid	(549,378,422)	(913,732,549)	(549,378,388)	(913,732,495)
<b>Net cash flows from financing activities</b>	<b>4,230,118,572</b>	<b>3,493,538,149</b>	<b>4,807,600,606</b>	<b>3,854,198,203</b>
Increase (decrease) in translation adjustments	(5,634,983)	214,823	-	-
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>799,309,859</b>	<b>(424,284,650)</b>	<b>860,238,979</b>	<b>(295,445,357)</b>
Cash and cash equivalents at beginning of year	334,579,981	758,864,631	207,842,107	503,287,464
<b>Cash and cash equivalents at end of year (Note 7)</b>	<b>1,133,889,840</b>	<b>334,579,981</b>	<b>1,068,081,086</b>	<b>207,842,107</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 2015**

(Unit: Baht)

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Supplemental cash flows information				
Cash paid during the year for:				
Interest capitalised to related assets	60,842,762	109,507,758	25,363,825	51,904,966
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	2,280,414,365	3,037,013,320	323,331,160	929,985,556
Transfer of investment properties under development and available for rent/sale and investment property for rent to be property, plant and equipment	-	544,528,831	-	29,405,771
Transfer of property, plant and equipment to be investment properties under development and available for rent/sale and investment property for rent	1,330,577,783	-	89,414,797	-
Purchase of investment properties and property, plant and equipment for which no cash has been paid	349,288,052	407,514,013	29,797,124	100,340,384
Deposits for purchase of property capitalised to related assets	535,656,058	1,025,421,735	-	505,367,390

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 2015**

**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 service related to rental business.

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

As at 31 December 2015, the Company’s major shareholder is Rojana Industrial Park Public Company Limited, which is incorporated in Thailand and holds 43.55 percent (2014: 43.45 percent).

**2. BASIS OF PREPARATION**

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

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

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

**2.2 Basis of consolidation**

- a) The consolidated financial statements include the financial statements of TICON Industrial Connection Public Company Limited and the following subsidiary companies (“the Group”).

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

Company	Country of incorporation	Nature of business	Percentage of shareholding	
			<u>2015</u> (%)	<u>2014</u> (%)
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	69.99	69.99
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
TICON (HK) Limited	Hong Kong	Investment in real estate in overseas	100.00	-

The financial statements of Shanghai TICON Investment Management Company Limited ("the subsidiary") for the years ended 31 December 2015 and 2014, included in the consolidated financial statements of the Company, were audited by its auditor.

The financial statements of TICON Property, Inc. ("the subsidiary") for the six-month period ended 30 June 2015 and the year ended 31 December 2014, included in the consolidated financial statements of the Company, were prepared by the management of the subsidiary and were not audited by its auditor. On 30 June 2015, the subsidiary was dissolved and liquidated.

The financial statements of TICON (HK) Limited ("the subsidiary") for the period as from 16 April 2015 to 31 December 2015, included in the consolidated financial statements of the Company, were prepared by the management of the subsidiary and were not audited by its auditor.

- b) The Company is deemed to have control over an investee or subsidiaries if it has rights, or is exposed, to variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns.

- c) Subsidiaries are fully consolidated, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
- d) The financial statements of the subsidiaries are prepared using the same significant accounting policies as the Company.
- e) The assets and liabilities in the financial statements of overseas subsidiary 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.
- f) Material balances and transactions between the Company and its subsidiary companies have been eliminated from the consolidated financial statements.
- g) Non-controlling interests represent the portion of profit or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated profit or loss and within equity in the consolidated statement of financial position.

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

### 3. NEW FINANCIAL REPORTING STANDARDS

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

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

The Company has adopted the revised (revised 2014) and new financial reporting standards issued by the Federation of Accounting Professions which become effective for fiscal years beginning on or after 1 January 2015. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards. The adoption of these financial reporting standards does not have any significant impact on the Company and the subsidiaries' financial statements. However, some of these standards involve changes to key principles, which are summarised below:

### **TAS 19 (revised 2014) Employee Benefits**

This revised standard requires that the entity recognise actuarial gains and losses immediately in other comprehensive income while the former standard allowed the entity to recognise such gains and losses immediately in either profit or loss or other comprehensive income, or to recognise them gradually in profit or loss.

This revised standard does not have any impact on the financial statements as the Company and its subsidiaries already recognise actuarial gains and losses immediately in other comprehensive income.

### **TFRS 10 Consolidated Financial Statements**

TFRS 10 prescribes requirements for the preparation of consolidated financial statements and replaces the content of TAS 27 Consolidated and Separate Financial Statements dealing with consolidated financial statements. This standard changes the principles used in considering whether control exists. Under this standard, an investor is deemed to have control over an investee if it has rights, or is exposed, to variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns, even if it holds less than half of the shares or voting rights. This important change requires the management to exercise a lot of judgement when reviewing whether the Company and its subsidiaries have control over investees and determining which entities have to be included in preparation of the consolidated financial statements.

This standard does not have any impact on the Company and its subsidiaries' financial statements.

### **TFRS 11 Joint Arrangements**

TFRS 11 supersedes TAS 31 Interests in Joint Ventures. This standard requires an entity investing in any other entity to determine whether the entity and other investors have joint control in the investment. When joint control exists, there is deemed to be a joint arrangement and the entity then needs to apply judgement to assess whether the joint arrangement is a joint operation or a joint venture and to account for the interest in the investment in a manner appropriate to the type of joint arrangement. If it is a joint operation, the entity is to recognise its shares of assets, liabilities, revenue and expenses of the joint operation, in proportion to its interest, in its separate financial statements. If it is a joint venture, the entity is to account for its investment in the joint venture using the equity method in the financial statements in which the equity method is applied or the

consolidated financial statements (if any), and at cost in the separate financial statements.

This standard does not have any impact on the financial statements since the Company and its subsidiaries already apply the equity method to account for the investment in a joint venture.

#### **TFRS 12 Disclosure of Interests in Other Entities**

This standard stipulates disclosures relating to an entity's interests in subsidiaries, joint arrangements and associates, including structured entities.

This standard therefore has no financial impact on the financial statements of the Company and its subsidiaries.

#### **TFRS 13 Fair Value Measurement**

This standard provides guidance on how to measure fair value and stipulates disclosures related to fair value measurement. Entities are to apply the guidance under this standard if they are required by other financial reporting standards to measure their assets or liabilities at fair value. The effects of the adoption of this standard are to be recognised prospectively.

This standard does not have any significant impact on the Company and its subsidiaries' financial statements.

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

During the current year, the Federation of Accounting Professions issued a number of the revised (revised 2015) and new financial reporting standards and accounting treatment guidance which is effective for fiscal years beginning on or after 1 January 2016. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards. The Company's management believes that the revised and new financial reporting standards and accounting treatment guidance will not have any significant impact on the financial statements when it is 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.

#### **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 securities held for trading are stated at fair value. Changes in the fair value of these securities are recorded in profit or loss.

- b) Investments in 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.
- c) Investments in non-marketable equity securities, which are classified as other investments, are stated at cost net of allowance for impairment loss (if any).
- d) Investments in joint ventures and associates are accounted for in the consolidated financial statements using the equity method.
- e) Investments in subsidiaries and associates are accounted for in the separate financial statements using the cost method net of allowance for impairment loss (if any).

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
Others	3 and 5 years

Depreciation is included in determining income.

No depreciation is provided on land.

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 (if any).

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, joint ventures 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**

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 subsidiaries and their employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Company and its

subsidiaries. The fund's assets are held in a separate trust fund and the Company and its subsidiaries' contributions are recognised as expenses when incurred.

#### *Defined benefit plans*

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

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

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

### **4.14 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.

#### **4.16 Fair value measurement**

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

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

Level 1 - Use of quoted market prices in an observable active market for such assets or liabilities

Level 2 - Use of other observable inputs for such assets or liabilities, whether directly or indirectly

Level 3 - Use of unobservable inputs such as estimates of future cash flows

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

## 5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

### **Recognition of investments in joint ventures by equity method when the subsidiary holds more than half of shares**

The management of the Company determined that the Company and its subsidiary has no control over TICON Demco Power 6 Company Limited and TICON Demco Power 11 Company Limited, even though the subsidiary holds 51% of shares and voting rights, which is more than half of shares and voting rights because the subsidiary and the other shareholder have mutual control over these companies. One shareholder is not able to direct the significant activities without the other shareholder's consent.

### **Leases**

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to use judgement regarding whether significant risk and rewards of ownership of the leased asset 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 recognised in the statement of financial position that are not actively traded and for which quoted market prices are not readily available, the management exercise judgement, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of credit risk (bank and counterparty, both) liquidity, correlation and longer-term volatility of financial instruments. Change in assumptions about these factors could affect the fair value recognised in the statement of financial position and disclosures of fair value hierarchy.

### **Impairment of securities investments**

The Company and its subsidiaries treat 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 judgement of the management.

### **Impairment of investments in subsidiaries, joint ventures and associates**

The Company and its subsidiaries treat investment in subsidiaries, joint ventures 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 judgements 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.

## Provision related to sale of properties

In recording provision related to sale of properties, the management needs to estimate the operating results of properties based on historical data on rental income and related expenses, and other current available information, including the estimation of the compensation for the difference between the fair market price and the net exercise price to TICON Freehold and Leasehold Real Estate Investment Trust (“the Trust”) when tenants exercise the option to buy, and record the amount that is expected to be paid to the Trust as provision.

## 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	69.99%
Shanghai TICON Investment Management Company Limited	Subsidiary Company	100.00%
TICON (HK) Limited	Subsidiary Company	100.00%
TICON Demco Power 6 Company Limited	Joint venture (Held by subsidiary)	51.00%
TICON Demco Power 11 Company Limited	Joint venture (Held by subsidiary)	51.00%
TICON Property Fund	Associated Company	18.46%
TPARK Logistics Property Fund	Associated Company	16.21%
TICON Industrial Growth Leasehold Property Fund	Associated Company	25.48%
TICON Freehold and Leasehold Real Estate Investment Trust	Associated Company	19.62%
PT SLP Surya TICON Internusa	Associated Company (Held by subsidiary)	25.00%
Rojana Industrial Park Public Company Limited	Shareholder / Co-Director	-
Rojana Industrial Park Prachinburi Company Limited	Shareholder / Co-Director	-

Related parties names	Relationships	Percentage
		holding of the Company
Rojana Industrial Management Company Limited	Shareholder / Co-Director	-
Asia Plus Securities Public Company Limited	Co-Director	-
Asia Industrial Estate Company Limited	Co-Director	-
SVI Public Company Limited	Co-Directors	-
Sathorn City Tower Property Fund	Common shareholder	-
Bangkok Bank Public Company Limited	Directors are in the same family.	-

## 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		Separate		
	financial statements		financial statements		Pricing Policy
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	
<b><u>Transactions between the Company and its subsidiaries</u></b>					
(eliminated from the consolidated financial statements)					
Management fee income	-	-	10	1	2% of rental and service income of subsidiaries and 2.5% of net income from factory rental and related service of TICON Freehold and Leasehold Real Estate Investment Trust, plus a variation range 0-19.5% of gross operating profit and less 8.3% of a variation fee, plus lease commission of 2-3-month of rental and service fee, and brokerage fee for sale/transfer of leasehold rights at the rate of 3% of such value.
Service income	-	-	-	2	2% of service expense of subsidiary incurred during the year
Interest income	-	-	60	432	Average interest rate of debentures and short-term loan plus 0.15%
Dividend income	-	-	459	17	As declared by subsidiaries
Land rental income	-	-	5	5	4% of the price of land acquired from a subsidiary
Other income	-	-	8	3	Contract amount
Management fee	-	-	6	7	3% of rental and service income of associated



(Unit: Million Baht)

	Consolidated		Separate		
	financial statements		financial statements		Pricing Policy
	2015	2014	2015	2014	
<b><u>Transactions between the Company and its associates</u></b>					
Sales of land and factory buildings	604	1,889	604	1,889	Close to appraisal value (Note 13.3)
Management fee income from TICON Property Fund	93	86	93	86	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	6	13	6	13	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	29	29	29	29	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.
Dividend income	-	-	368	381	As declared by the Fund
Assurance for rental and service income	-	8	-	8	Normal commercial price
Revenues from service	7	5	7	5	Contract amount
Land rental income	13	13	13	13	Contract amount
<b><u>Transactions between the Company and its related companies</u></b>					
Deposit for land acquisition	-	56	-	56	Normal commercial price
Office rental and related fees	18	17	18	17	Normal commercial price
Interest income	3	1	2	1	Market rate
Interest expense	33	32	2	1	MLR minus a certain rates and market rate
Service expenses	4	3	3	3	Normal commercial price
<b><u>Transactions between subsidiary and associates</u></b>					
Sales of land and warehouse buildings	2,433	2,572	-	-	Closed to appraisal value (Note 13.3)
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

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements		Pricing Policy
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	
Management fee income from TPARK Logistics Property Fund	12	14	-	-	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, and plus sale commission at maximum of 3% of sales value.
Management fee income from TICON Industrial Growth Leasehold Property Fund	19	21	-	-	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.
Management fee income from TICON Freehold and Leasehold Real Estate Investment Trust	12	-	-	-	0.25% per annum of the Trust's total assets
Management fee income from TICON Freehold and Leasehold Real Estate Investment Trust	31	-	-	-	2% and 4% of net income from rental and service agreements on warehouse buildings and on factory buildings, respectively, plus incentive fee 0-10.5% and 0-19.5% of net operating profit of warehouse buildings and factory buildings, respectively, plus lease commission in a proportion of lease time of rental and service agreement of the new tenant but not over 3 months of rental and service fee, and brokerage fee for purchase, sale and transfer of leasehold rights in and receipt of a transfer of leasehold rights in properties at the rate of 3% of such value.
Assurance for rental and service income	50	63	-	-	Normal commercial price
Common area service fees	5	3	-	-	Normal commercial price
Revenues from service	-	2	-	-	Contract amount
Land rental income	41	21	-	-	Contract amount

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

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
<b>Cash at bank (presented under cash and cash equivalents)</b>				
Related company (Directors are in the same family.)	96,210	97,340	34,865	62,757
<b>Other receivables - related parties (presented under trade and other receivables) (Note 9)</b>				
Subsidiaries	-	-	1,752	521
Associates	33,011	17,498	20,378	10,317
Total	33,011	17,498	22,130	10,838
<b>Interest receivables (presented under trade and other receivables) (Note 9)</b>				
Subsidiaries	-	-	-	1,152
<b>Pledged deposits at financial institution</b>				
Related company (Directors are in the same family.)	57,431	70,623	57,191	70,383
<b>Long-term loans to related party</b>				
Subsidiaries	-	-	-	1,820,000
<b>Deposits for purchase of property</b>				
Related company (Co-Director)	-	65,785	-	65,785
<b>Refundable deposits (presented under other non-current assets)</b>				
Associates	-	45	-	45
Related company (Common shareholder)	4,267	3,705	4,267	3,705
Related company (Shareholder/Co-Director)	1,173	1,315	1,173	1,267
Related company (Co-Director)	2,054	2,025	2,054	2,025
Total	7,494	7,090	7,494	7,042
<b>Other payables - related parties (presented under trade and other payables) (Note 18)</b>				
Subsidiaries	-	-	524	564
Associates	6,364	7,867	1,963	1,848
Total	6,364	7,867	2,487	2,412
<b>Interest payable (presented under trade and other payables) (Note 18)</b>				
Subsidiaries	-	-	80	-
Related company (Directors are in the same family.)	82	87	-	-
Total	82	87	80	-
<b>Accrued expenses (presented under trade and other payables) (Note 18)</b>				
Related company (Shareholder/Co-Director)	133	-	133	-
<b>Unearned land rental income (presented under other current liabilities)</b>				
Subsidiaries	-	-	3,281	3,281
Associates	50,918	42,639	15,676	12,699
Total	50,918	42,639	18,957	15,980

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
<b>Unearned equipment rental income (presented under other current liabilities)</b>				
Subsidiaries	-	-	438	139
<b>Short-term loans from related party</b>				
Subsidiary	-	-	291,500	-
<b>Long-term loans from related party</b>				
Related company (Directors are in the same family.)	676,780	748,380	-	-
<b>Unearned land rental income</b>				
Associate	1,382,487	1,185,762	428,746	355,204

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

(Unit: Thousand Baht)

	Separate financial statements			
	Balance as at 31 December 2014	Increase during the year	Decrease during the year	Balance as at 31 December 2015
<b>Long-term loans to</b>				
TICON Logistic Park Co., Ltd.	1,820,000	5,060,000	(6,880,000)	-
<b>Short-term loans from</b>				
TICON Logistic Park Co., Ltd.	-	291,500	-	291,500
Bangkok Bank Public Company Limited	-	5,840,000	(5,840,000)	-
	-	6,131,500	(5,840,000)	291,500

As at 31 December 2014, long-term loans amounting to Baht 1,820 million were unsecured loans to TICON Logistics Park Company Limited, a subsidiary, and carried interest at a rate of 4.05% to 4.23% per annum.

(Unit: Thousand Baht)

		Consolidated financial statements			
		Balance as at 31 December 2014	Increase during the year	Decrease during the year	Balance as at 31 December 2015
<b>Short-term loans from</b>					
Bangkok Bank Public					
Company Limited		-	5,840,000	(5,840,000)	-
<b>Long-term loans from</b>					
Bangkok Bank Public					
Company Limited		748,380	-	-	748,380

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

(Unit: Million Baht)

		Consolidated Financial statements		Significant conditions			
		2015	2014	Repayment			
Loans	Contract date			Period	Schedule	Installment period	Interest rate
1.	23 April 2013	707	707	9 years	Every 6 months	November 2016 - May 2022	MLR minus certain rate
2.	3 April 2014	20	20	9 years	Every 6 months	November 2017 - May 2023	MLR minus certain rate
3.	3 April 2014	21	21	9 years	Every 6 months	November 2017 - November 2023	MLR minus certain rate
Total		748	748				
<u>Less</u> Current portion		(72)	-				
Long term loans, net		676	748				

As at 31 December 2015, a part of the investment properties under development and available for rent/sale, investment properties for rent, land and buildings of the subsidiary, with a book value of Baht 2,924 million (2014: Baht 3,201 million), have been pledged as collateral for the loans mentioned above.

As at 31 December 2015, there were available long-term loan facilities from a related party which had not yet been drawn down by the subsidiary of approximately Baht 4,324 million (2014: Baht 4,605 million).

## 6.5 Directors and management's remuneration

During the years ended 31 December 2015 and 2014, the Company and its subsidiaries had employee benefit expenses payable to their directors and management as shown below.

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Short-term employee benefits	74,965	71,414	55,758	54,381
Post-employment benefits	4,150	2,800	2,826	1,992
Total	<u>79,115</u>	<u>74,214</u>	<u>58,584</u>	<u>56,373</u>

#### 6.6 Guarantee obligations with subsidiaries

The Company had outstanding guarantees with its subsidiaries as described in Note to the financial statements, items 20 and 32.3.

## 7. CASH AND CASH EQUIVALENTS

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		Separate	
	financial statements		financial statements	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Cash	587	637	295	365
Deposits at financial institutions	1,133,303	201,443	1,067,786	77,477
Cash and cash equivalents	1,133,890	202,080	1,068,081	77,842
Current investments -				
notes with an original				
maturity of 3 months or less	-	132,500	-	130,000
Cash and cash equivalents in				
statement of cash flows	<u>1,133,890</u>	<u>334,580</u>	<u>1,068,081</u>	<u>207,842</u>

As at 31 December 2015, 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 1.7% per annum (2014: between 0.1% and 2.5% per annum).

## 8. CURRENT INVESTMENTS

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
<b>Fixed deposit</b>	22,183	-	-	-
<b>Held for trading securities</b>				
Unit trusts	-	124,685	-	-
<b>Held to maturity debt security</b>				
<b>due within one year</b>				
Bills of exchanges	-	133,000	-	130,000
Total current investments	<u>22,183</u>	<u>257,685</u>	<u>-</u>	<u>130,000</u>

## 9. TRADE AND OTHER RECEIVABLES

The outstanding balance of trade accounts receivable, classified by age of the due dates are as follow.

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
<u>Trade receivables - unrelated parties</u>				
Aged on the basis of due dates				
Past due of up to 3 months	22,062	42,909	2,936	21,845
Past due of 3 - 6 months	6,256	2,132	-	1,560
Past due of 6 - 12 months	2,782	7,074	2,204	7,072
Past due of over 12 months	13,738	4,050	13,738	4,050
Total	<u>44,838</u>	<u>56,165</u>	<u>18,878</u>	<u>34,527</u>
Unbilled operating leases receivables	14,274	11,026	1,855	1,540
Less: Allowance for doubtful debts	<u>(4,050)</u>	<u>(4,114)</u>	<u>(4,050)</u>	<u>(4,114)</u>
Total trade receivables - unrelated parties, net	<u>55,062</u>	<u>63,077</u>	<u>16,683</u>	<u>31,953</u>
<u>Other receivables</u>				
Other receivables - related parties	33,011	17,498	22,130	10,838
Other receivables - unrelated parties	4,618	1,683	3,009	967

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Interest receivable - related party	-	-	-	1,152
Interest receivable - unrelated parties	54	47	54	40
Accrued income	2,214	4,788	458	515
Other receivables	39,897	24,016	25,651	13,512
Trade and other receivables, net	<u>94,959</u>	<u>87,093</u>	<u>42,334</u>	<u>45,465</u>

## 10. PLEDGED DEPOSITS AT FINANCIAL INSTITUTION

As at 31 December 2015, the Company and its subsidiaries have deposits at financial institution of Baht 57.4 million (2014: Baht 70.6 million) which are pledged with certain banks as collateral for compensating the difference between the fair market price and the net exercise price to TICON Freehold and Leasehold Real Estate Investment Trust when tenants exercise the option to buy, 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)

Subsidiaries	Nature of business	Country of Incorporation	Separate financial statements							
			Paid-up capital		Shareholding percentage		Investment value under cost method		Dividend received during the years	
			2015	2014	2015	2014	2015	2014	2015	2014
					(%)	(%)				
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	10,000	16,750
TICON Logistics Park Company Limited	Development of real estate, development of warehouses for rent/sale	Thailand	19,500,000	14,500,000	99.99	99.99	19,515,000	14,515,000	448,500	-
TICON Management Company Limited	REIT manager	Thailand	10,000	10,000	69.99	69.99	7,000	7,000	-	-
Shanghai TICON Investment Management Company Limited*	Fund management	China	85,384	85,384	100.00	100.00	85,384	85,384	-	-
TICON Property, Inc.**	Investment in general real estate	United States of America	-	31	-	100.00	-	189,190	-	-
TICON (HK) Limited**	Investment in real estate in overseas	Hong Kong	413,423	-	100.00	-	413,423	-	-	-
Total investments in subsidiaries							20,070,807	14,846,574	458,500	16,750

\* Its financial statements were audited by another auditor.

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

During the year 2015, the investments in the subsidiaries have been changed as follows:

- (a) On 26 March 2015, the meeting of the Extraordinary General Meeting No. 1/2015 of TICON Logistics Park Company Limited, approved the capital increase amounting to Baht 3,000 million. The Company made the payment for the share increase on 27 March 2015, and the subsidiary registered the increase of its capital with the Ministry of Commerce on 30 March 2015.
- (b) On 16 April 2015, the Company established a wholly-owned subsidiary in Hong Kong, named TICON (HK) Limited for overseas investment. Its initial registered capital is USD 1. The Company holds 100% of the subsidiary's issued and paid up capital. At the first stage, this subsidiary invests in a new project in Indonesia. On 21 April 2015, the Company made an initial payment of share capital amounting to USD 1, or Baht 33.
- (c) On 13 May 2015, the Board of Directors Meeting No. 3/2015 of the Company approved the dissolution of TICON Property, Inc. in the United States of America. On 30 June 2015, the subsidiary was dissolved and liquidated. The Company received the capital returned money amounting to Baht 184 million.

- (d) On 17 June 2015, the meeting of the Board of Directors No. 2/2558 of ECO Industrial Services Company Limited, approved an interim dividend payment to its shareholders of Baht 0.80 per share. The dividend was allotted from partial of its 2014 profit under net profit under 50 percent tax privileges and partial of its 2015 profit. The dividend, totaling Baht 4.0 million, was paid on 18 June 2015.
- (e) On 4 September 2015, the meeting of the Extraordinary General Meeting No. 4/2015 of TICON Logistics Park Company Limited, approved the capital increase amounting to Baht 2,000 million. The Company made the payment for the share increase on 4 September 2015, and the subsidiary registered the increase of its capital with the Ministry of Commerce on 10 September 2015.
- (f) On 23 September 2015, the meeting of the Board of Directors No. 3/2558 of ECO Industrial Services Company Limited, approved an interim dividend payment to its shareholders of Baht 0.60 per share. The dividend was allotted from partial of its 2015 profit. The dividend, totaling Baht 3.0 million, was paid on 24 September 2015.
- (g) On 20 October 2015, TICON (HK) Limited, registered the capital increase for 11.6 million shares at par value of USD 1 each, amounting to Baht 413 million. The Company made the payment for the share increase.
- (h) On 22 December 2015, the meeting of the Board of Directors No. 8/2558 of TICON Logistics Park Company Limited, approved an interim dividend payment to its shareholders of Baht 0.23 per share. The dividend was allotted from partial of its 2015 profit. The dividend, totaling Baht 448.5 million, was paid on 22 December 2015.
- (i) On 23 December 2015, the meeting of the Board of Directors No. 4/2558 of ECO Industrial Services Company Limited, approved an interim dividend payment to its shareholders of Baht 0.60 per share. The dividend was allotted from partial of its 2015 profit. The dividend, totaling Baht 3.0 million, was paid on 24 December 2015.

## **12. INVESTMENTS IN JOINT VENTURES**

### **12.1 Details of joint ventures:**

Investments in joint ventures represent investments in entities which are jointly controlled by the Company through its subsidiary and other company. Details of these investments are as follow:

Joint ventures	Nature of business	Country of incorporation	Consolidated financial statements					
			Registered capital		Paid-up capital		Percentage of investment	
			2015	2014	2015	2014	2015	2014
			(Million Baht)	(Million Baht)	(Million Baht)	(Million Baht)	(%)	(%)
TICON Demco Power 6 Company Limited	Electric generator and seller	Thailand	5.00	5.00	5.00	5.00	51.00	51.00
TICON Demco Power 11 Company Limited	Electric generator and seller	Thailand	4.00	4.00	4.00	4.00	51.00	51.00

## 12.2 Details of investments in joint ventures

### (a) Carrying amounts of investments in joint ventures

(Unit: Thousand Baht)

Joint ventures	Consolidated financial statements			
	Cost		Equity method	
	2015	2014	2015	2014
TICON Demco Power 6 Company Limited	2,550	2,550	2,218	2,282
TICON Demco Power 11 Company Limited	2,040	2,040	1,850	1,923
Total	4,590	4,590	4,068	4,205

### (b) Share of losses from investments in joint ventures

(Unit: Thousand Baht)

Joint ventures	Consolidated financial statements	
	For the years ended	
	31 December	
	2015	2014
TICON Demco Power 6 Company Limited	(64)	(268)
TICON Demco Power 11 Company Limited	(72)	(117)
Total	(136)	(385)

## 12.3 Summarised financial information of jointly controlled entities

The Company's proportionate shares of the assets, liabilities, revenue and expenses of TICON Demco Power 6 Company Limited and TICON Demco Power 11 Company Limited, are as follows:

## Summarised information about financial position

(Unit: Thousand Baht)

	TICON Demco Power 6		TICON Demco Power 11	
	Company Limited		Company Limited	
	As at 31 December		As at 31 December	
	2015	2014	2015	2014
Cash and cash equivalent	465	4,916	935	2,091
Other current assets	1,777	2,221	1,159	1,583
Non-current assets	14,685	11,637	11,032	8,810
	16,927	18,774	13,126	12,484
Short-term loans	(900)	-	(526)	-
Other current liabilities	(1,801)	(2,623)	(3,319)	(2,008)
Long-term loans	(9,963)	(11,763)	(5,735)	(6,788)
	(12,664)	(14,386)	(9,580)	(8,796)
<b>Net assets</b>	4,263	4,388	3,546	3,688
Shareholding percentage (%)	51.00	51.00	51.00	51.00
<b>Share of net assets</b>	2,174	2,238	1,808	1,881
Operating result before jointly controlled entity	44	44	42	42
<b>Carrying amounts of jointly control entity based on equity method</b>	2,218	2,282	1,850	1,923

## Summarised information about income

(Unit: Thousand Baht)

	TICON Demco Power 6		TICON Demco Power 11	
	Company Limited		Company Limited	
	For the years ended 31 December		For the years ended 31 December	
	2015	2014	2015	2014
Revenue	1,258	-	943	-
Cost of sale	(499)	-	(369)	-
Administrative expense	(230)	(329)	(339)	(117)
Interest expense	(654)	(196)	(377)	(113)
Profit (loss)	(125)	(525)	(142)	(230)

## 13. INVESTMENTS IN ASSOCIATES

### 13.1 Details of associates:

Associates	Nature of business	Country of incorporation	Paid up Capital		Investment Units held by the Company / subsidiary		Percentage of investment	
			2015	2014	2015	2014	2015	2014
			(Thousand Baht)	(Thousand Baht)	(Thousand Unit)	(Thousand Unit)	(%)	(%)
TICON Property Fund	Investing in properties	Thailand	11,824,790	11,824,790	212,238	271,583	18.46	23.63
TPARK Logistics Property Fund	Investing in properties	Thailand	4,469,062	4,469,062	67,098	82,920	16.21	20.04
TICON Industrial Growth Leasehold Property Fund	Investing in properties and/or leasehold rights in properties	Thailand	5,550,000	5,550,000	141,395	151,834	25.48	27.36
TICON Freehold and Leasehold Real Estate Investment Trust	Investing in properties and/or leasehold rights in properties	Thailand	5,459,588	3,425,000	111,181	41,100	19.62	12.00
PT SLP Surya TICON Internusa	Real estate business - development of factories and warehouses for rent/sale	Indonesia	1,656,633	-	11,600	-	25.00	-

On 18 August 2015, TICON (HK) Limited, a subsidiary, purchased the ordinary shares of PT SLP Surya TICON Internusa for 11.6 million shares at par value of USD 1 each, amounting to USD 11.6 million. This shareholding is 25% of the issued and paid-up shares.

### 13.2 Details of investments in associates

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

(Unit: Thousand Baht)

Associates	Consolidated financial statements		Separate financial statements	
	Equity method		Cost method	
	2015	2014	2015	2014
<b>TICON Property Fund</b>				
Investments	1,970,463	2,578,543	2,194,425	2,807,921
Less: Deferred gains on sales of properties	(975,613)	(1,132,590)	-	-
Investments, net	994,850	1,445,953	2,194,425	2,807,921
<b>TPARK Logistics Property Fund</b>				
Investments	681,575	869,897	741,352	916,129
Less: Deferred gains on sales of properties	(224,146)	(256,485)	-	-
Investments, net	457,429	613,412	741,352	916,129
<b>TICON Industrial Growth Leasehold Property Fund</b>				
Investments	1,345,974	1,494,324	1,414,235	1,516,479
Less: Deferred gains on sales of properties	(508,715)	(550,136)	-	-
Investments, net	837,259	944,188	1,414,235	1,516,479
<b>TICON Freehold and Leasehold Real Estate Investment Trust</b>				
Investments	1,103,403	411,555	1,113,648	-
Less: Deferred gains on sales of properties	(265,079)	(114,767)	-	-
Add: Unrealised expenses on provision related to sales of properties	24,984	16,086	-	-
Investments, net	863,308	312,874	1,113,648	-
<b>PT SLP Surya TICON Internusa</b>				
Investments	421,608	-	-	-
<b>Investments in associates, net</b>	<b>3,574,454</b>	<b>3,316,427</b>	<b>5,463,660</b>	<b>5,240,529</b>
<b>Value of investments per unit (Baht)</b>				
TICON Property Fund	4.69	5.32	10.34	10.34
TPARK Logistics Property Fund	6.82	7.40	11.05	11.05
TICON Industrial Growth Leasehold Property Fund	5.92	6.22	10.00	9.99
TICON Freehold and Leasehold Real Estate Investment Trust	7.76	7.61	10.02	-
PT SLP Surya TICON Internusa	36.35	-	-	-

The deferred gains on sales of land, factory and warehouse buildings to TICON Property Fund, TPARK Logistics Property Fund, TICON Industrial Growth Leasehold Property Fund (“the Funds”) and TICON Freehold and Leasehold Real Estate Investment Trust (“the Trust”) are calculated in proportion to its investments in the Funds and the Trust and presented as reductions on costs of investments in the statement of financial position and reductions against gain on sales of properties to associates in income statement for the period.

(b) Share of profit from investments in associates

(Unit: Thousand Baht)

Associates	Consolidated financial statements	
	For the years ended 31 December	
	2015	2014
TICON Property Fund	115,812	131,538
TPARK Logistics Property Fund	36,142	42,549
TICON Industrial Growth Leasehold Property Fund	75,236	92,484
TICON Freehold and Leasehold Real Estate Investment Trust	19,487	555
PT SLP Surya TICON Internusa	1,790	-
Total	248,467	267,126

(c) Dividend received from associates

(Unit: Thousand Baht)

Associates	Separate financial statements	
	For the years ended 31 December	
	2015	2014
TICON Property Fund	175,426	194,182
TPARK Logistics Property Fund	63,634	70,150
TICON Industrial Growth Leasehold Property Fund	124,240	116,184
TICON Freehold and Leasehold Real Estate Investment Trust	4,343	-
Total	367,643	380,516

Associate of subsidiary	(Unit: Thousand Baht)	
	Consolidated financial statements	
	For the years ended 31 December	
	2015	2014
TICON Freehold and Leasehold Real Estate Investment Trust	9,299	-

### 13.3 Movements of investments in associates

	(Unit: Million Baht)			
	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
<b>Investments in associates</b>				
Balance at beginning of year	5,354	5,124	5,241	5,305
Purchases of investment	1,136	702	1,142	291
Sales of investment	(829)	(358)	(911)	(355)
Return from decrease in value of trust units	(16)	-	(8)	-
Share of profit	248	267	-	-
Dividend received	(377)	(381)	-	-
Translation adjustment	6	-	-	-
Balance at end of year	5,522	5,354	5,464	5,241
<b>Deferred gains on sales of properties</b>				
Balance at beginning of year	2,054	1,882		
Increase during the year	166	213		
Decrease during the year	(247)	(41)		
Balance at end of year	1,973	2,054		
<b>Unrealised expenses on provision related to sales of properties</b>				
Balance at beginning of period	16	-		
Increase during the year	10	16		
Decrease during the year	(1)	-		
Balance at end of year	25	16		
<b>Investments in associates, net</b>	<b>3,574</b>	<b>3,316</b>		

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



The significant movements of the deferred gains on sales of properties to associates during the years 2015 are as follows.

Date	Transactions during the year 2015	Number of land and buildings / number of investment units	Selling price/lease hold price (Million Baht)	Increase (decrease) in deferred gains on sales of properties (Million Baht)	
28 September 2015	The Company sold land and factories to TICON Property Fund	2 factories	126	16	*
18, 21 December 2015	The Company leased land and factories and sold land and factories to TICON Freehold and Leasehold Real Estate Investment Trust	7 factories	568	44	**
18, 21 December 2015	The subsidiary leased land and leased warehouses, leased land and sold warehouses, and sold land and warehouses to TICON Freehold and Leasehold Real Estate Investment Trust	46 warehouses	2,592	106	***
				166	
21 January and 13 February 2015	Sales of investments in TICON Industrial Growth Leasehold Property Fund	11 million units	129	(42)	
20 March, 26-30 November and 22-30 December 2015	Sales of investments in TPARK Logistics Property Fund	16 million units	191	(32)	
9 September 2015	TICON Property Fund sold land and a factory that was purchased from the Company to third party	1 factory	111	(12)	
26-30 November and 1-30 December 2015	Sales of investments in TICON Property Fund	60 million units	635	(154)	
23 December 2015	TICON Property Fund sold land and factories that was purchased from the Company to third party	2 factories	103	(7)	
				(247)	

\* The fair values of the land and factories as appraised using the income approach method by two independent valuers totaled Baht 121 million and Baht 123 million.

\*\* The fair values of the leased land and factories and sold land and factories as appraised using the income approach method by two independent valuers totaled Baht 511 million and Baht 529 million.

\*\*\* The fair values of the leased land and leased warehouses, leased land and sold warehouses and sold land and warehouses as appraised using the income approach method by two independent valuers totaled Baht 2,416 million and Baht 2,428 million.

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

Associates' name	Fair value as at 31 December		Fair value per unit as at	
	31 December		31 December	
	2015	2014	2015	2014
	(Million Baht)	(Million Baht)	(Baht)	(Baht)
TICON Property Fund	2,250	2,824	10.6	10.4
TPARK Logistics Property Fund	812	978	12.1	11.8
TICON Industrial Growth				
Leasehold Property Fund	1,555	1,655	11.0	10.9
TICON Freehold and Leasehold				
Real Estate Investment Trust	1,106	-	9.95	-
Total	<u>5,723</u>	<u>5,457</u>		

13.5 As at 31 December 2015, the Company's investment units in TICON Property Fund of 66 million units (2014: 66 million units), with the value under the equity method amounting to Baht 312 million (2014: Baht 355 million), and the market value amounting to Baht 705 million (2014: Baht 692 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 (2014: 22 million units), with the value under the equity method amounting to Baht 152 million (2014: Baht 165 million), and the market value amounting to Baht 269 million (2014: 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.

13.6 Summarised financial information of associates

Financial information of the associated companies is summarised below.

a) TICON Property Fund

## Summarised information about financial position

(Unit: Thousand Baht)

	As at 31 December	
	2015	2014
Current assets	13,315,174	12,990,910
Non-current assets	6,914	6,526
Current liabilities	(47,323)	(37,634)
Non-current liabilities	(321,139)	(312,405)
Net assets	12,953,626	12,647,397
Shareholding percentage (%)	18.46	23.63
Share of net assets	2,391,239	2,988,580
Elimination entries	(1,396,389)	(1,542,627)
Carrying amounts of associates based on equity method	994,850	1,445,953

## Summarised information about comprehensive income

(Unit: Thousand Baht)

	For the years ended 31 December	
	2015	2014
Revenue	899,070	951,377
Profit	707,981	774,136
Other comprehensive income	339,703	80,435
Total comprehensive income	1,047,684	854,571

### b) TPARK Logistics Property Fund

## Summarised information about financial position

(Unit: Thousand Baht)

	As at 31 December	
	2015	2014
Current assets	4,965,846	4,920,363
Non-current assets	2,262	1,800
Current liabilities	(17,826)	(19,104)
Non-current liabilities	(98,170)	(93,378)
Net assets	4,852,112	4,809,681

(Unit: Thousand Baht)		
As at 31 December		
	2015	2014
Shareholding percentage (%)	16.21	20.04
Share of net assets	786,527	963,860
Elimination entries	(329,098)	(350,448)
Carrying amounts of associates based on equity method	457,429	613,412

Summarised information about comprehensive income

(Unit: Thousand Baht)		
For the years ended 31 December		
	2015	2014
Revenue	382,301	414,406
Profit	319,693	345,814
Other comprehensive income	49,671	129,234
Total comprehensive income	369,364	475,048

c) TICON Industrial Growth Leasehold Property Fund

Summarised information about financial position

(Unit: Thousand Baht)		
As at 31 December		
	2015	2014
Current assets	6,319,524	6,368,111
Non-current assets	2,568	2,345
Current liabilities	(19,359)	(14,533)
Non-current liabilities	(643,914)	(659,764)
Net assets	5,658,819	5,696,159
Shareholding percentage (%)	25.48	27.36
Share of net assets	1,441,867	1,558,469
Elimination entries	(604,608)	(614,281)
Carrying amounts of associates based on equity method	837,259	944,188

# Summarised information about comprehensive income

(Unit: Thousand Baht)

	For the years ended 31 December	
	2015	2014
Revenue	596,037	609,194
Profit	490,638	515,779
Other comprehensive income	(44,795)	15,568
Total comprehensive income	445,843	531,347

## d) TICON Freehold and Leasehold Real Estate Investment Trust

# Summarised information about financial position

(Unit: Thousand Baht)

	As at 31 December	
	2015	2014
Current assets	7,623,238	4,462,787
Non-current assets	64,199	43,987
Current liabilities	(93,118)	(111,155)
Non-current liabilities	(1,993,004)	(962,646)
Net assets	5,601,315	3,432,973
Shareholding percentage (%)	19.62	12.00
Share of net assets	1,098,978	411,957
Elimination entries	(235,670)	(99,083)
Carrying amounts of associates based on equity method	863,308	312,874

# Summarised information about comprehensive income

(Unit: Thousand Baht)

	For the year ended 31 December 2015	For the period as from 12 December 2014 to 31 December 2014
Revenue	415,646	11,698
Profit	286,552	7,973
Other comprehensive income	(126,289)	-
Total comprehensive income	160,263	7,973

e) PT SLP Surya TICON Internusa

Summarised information about financial position

	(Unit: Thousand Baht)
	As at 31 December
	2015
Current assets	392,338
Non-current assets	1,571,158
Current liabilities	(36,415)
Non-current liabilities	(234,946)
Net assets	1,692,135
Shareholding percentage (%)	25.00
Share of net assets	423,034
Elimination entries	(1,426)
Carrying amounts of associates based on equity method	421,608

Summarised information about comprehensive income

	(Unit: Thousand Baht)
	For the year ended
	31 December
	2015
Revenue	29,197
Profit	7,169
Other comprehensive income	-
Total comprehensive income	7,169

## 14. INVESTMENT PROPERTIES

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

#### 14.1.1 Movements of the net book value

(Unit: Thousand Baht)

## Consolidated financial statements

	Investment properties under development			Investment properties available for rent/sale			
	Land and land improvement	Construction in progress	Total	Land and land improvement	Factory and	Total	Grand total
					warehouse building		
<b>Cost</b>							
1 January 2014	8,243,772	1,873,806	10,117,578	915,569	3,035,751	3,951,320	14,068,898
Purchase	3,040,560	4,782,607	7,823,167	-	-	-	7,823,167
Disposal	-	-	-	(15,552)	(327,097)	(342,649)	(342,649)
Transfer in/out	(1,183,404)	(4,149,045)	(5,332,449)	252,263	1,128,549	1,380,812	(3,951,637)
Transfer to non-current assets held-for-sale							
Capitalised interest	7,648	101,860	109,508	-	-	-	109,508
31 December 2014	10,108,576	2,609,228	12,717,804	1,152,280	3,837,203	4,989,483	17,707,287
Purchase	2,631,779	4,877,124	7,508,903	-	-	-	7,508,903
Disposal	(158,558)	-	(158,558)	(27,798)	(173,727)	(201,525)	(360,083)
Transfer in/out	(1,484,759)	(3,223,632)	(4,708,391)	390,864	423,364	814,228	(3,894,163)
Capitalised interest	-	60,843	60,843	-	-	-	60,843
31 December 2015	11,097,038	4,323,563	15,420,601	1,515,346	4,086,840	5,602,186	21,022,787
<b>Accumulated depreciation</b>							
1 January 2014	-	-	-	-	342,300	342,300	342,300
Depreciation for the year	-	-	-	-	192,436	192,436	192,436
Depreciation on disposal	-	-	-	-	(13,124)	(13,124)	(13,124)
Transfer in/out	-	-	-	-	5,929	5,929	5,929
31 December 2014	-	-	-	-	527,541	527,541	527,541
Depreciation for the year	-	-	-	-	203,300	203,300	203,300
Depreciation on disposal	-	-	-	-	(10,533)	(10,533)	(10,533)
Transfer in/out	34,745	5,303	40,048	14,005	(57,219)	(43,214)	(3,166)
31 December 2015	34,745	5,303	40,048	14,005	663,089	677,094	717,142
<b>Net book value</b>							
1 January 2014	8,243,772	1,873,806	10,117,578	915,569	2,693,451	3,609,020	13,726,598
31 December 2014	10,108,576	2,609,228	12,717,804	1,152,280	3,309,662	4,461,942	17,179,746
31 December 2015	11,062,293	4,318,260	15,380,553	1,501,341	3,423,751	4,925,092	20,305,645
<b>Depreciation for the year (included in administrative expenses)</b>							
2014							192,436
2015							203,300

(Unit: Thousand Baht)

	Separate financial statements						
	Investment properties under development			Investment properties available for rent/sale			
	Land and land improvement	Construction in progress	Total	Land and land improvement	Factory Building	Total	Grand total
<b>Cost</b>							
1 January 2014	997,853	276,013	1,273,866	466,054	928,231	1,394,285	2,668,151
Purchase	1,362,197	843,015	2,205,212	-	-	-	2,205,212
Disposal	-	-	-	(9,414)	(10,820)	(20,234)	(20,234)
Transfer in/out	(209,792)	(536,287)	(746,079)	184,917	439,928	624,845	(121,234)
Transfer to non-current assets held-for-sale							
Capitalised interest	7,648	44,257	51,905	-	-	-	51,905
31 December 2014	2,157,906	626,998	2,784,904	641,557	1,357,339	1,998,896	4,783,800
Purchase	898,389	572,745	1,471,134	-	-	-	1,471,134
Disposal	-	-	-	(8,529)	(20,448)	(28,977)	(28,977)
Transfer in/out	(245,846)	(656,170)	(902,016)	203,682	471,245	674,927	(227,089)
Capitalised interest	-	25,364	25,364	-	-	-	25,364
31 December 2015	2,810,449	568,937	3,379,386	836,710	1,808,136	2,644,846	6,024,232
<b>Accumulated depreciation</b>							
1 January 2014	-	-	-	-	236,379	236,379	236,379
Depreciation for the year	-	-	-	-	55,798	55,798	55,798
Depreciation on disposal	-	-	-	-	(6,700)	(6,700)	(6,700)
Transfer in/out	-	-	-	-	35,382	35,382	35,382
31 December 2014	-	-	-	-	320,859	320,859	320,859
Depreciation for the year	-	-	-	-	82,490	82,490	82,490
Depreciation on disposal	-	-	-	-	(2,654)	(2,654)	(2,654)
Transfer in/out	178	-	178	792	3,738	4,530	4,708
31 December 2015	178	-	178	792	404,433	405,225	405,403
<b>Net book value</b>							
1 January 2014	997,853	276,013	1,273,866	466,054	691,852	1,157,906	2,431,772
31 December 2014	2,157,906	626,998	2,784,904	641,557	1,036,480	1,678,037	4,462,941
31 December 2015	2,810,271	568,937	3,379,208	835,918	1,403,703	2,239,621	5,618,829
<b>Depreciation for the year (included in administrative expenses)</b>							
2014							55,798
2015							82,490

### 14.1.2 The fair value of the investment properties

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
Land and land improvement under development	11,881,984	10,326,387	3,104,368	2,332,795
Land and factory and warehouse buildings available for rent/sale	7,505,589	6,916,978	4,144,479	3,383,922



For 2015 and 2014, the fair value of investment properties has been determined based on the Company and its two subsidiaries' independent values. 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. However, the fair value does not include construction in progress which had book value of Baht 4,318 million (2014: Baht 2,609 million) (The Company only: Baht 569 million, 2014: Baht 627 million).

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

(Unit :Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Investment properties under development	15,380,553	12,717,804	3,379,208	2,784,904
Capitalised interest expenses				
from the part of loans from				
financial institutions and debentures	60,843	109,508	25,364	51,905
Capitalisation rate (%)	4.04	4.28	4.03	4.26

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

As at 31 December 2015, investment properties under development and available for rent/sale of the Company and its subsidiaries with total book value of Baht 6,074 million (2014: Baht 5,520 million) (The Company only: Baht 958 million, 2014: Baht 1,092 million) have been used as collateral for bank overdrafts, short-term loans and long-term loans from financial institutions.

#### 14.1.5 Amounts recognised in profit and loss that are related to investment properties under development and available for rent/sale are as follows

(Unit :Thousand Baht)				
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Rental and related service income	-	-	-	-
Direct operating expense arise from investment property that generated rental income for the year	-	-	-	-
Direct operating expense arise from investment property that did not generated rental income for the year	217,856	215,453	90,262	69,930

## 14.2 Investment properties for rent

### 14.2.1 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 2014	2,104,279	1,956,123	4,060,402
Disposal	(90,223)	(897,401)	(987,624)
Transfer in/out	817,627	3,610,166	4,427,793
31 December 2014	2,831,683	4,668,888	7,500,571
Disposal	(298,091)	(1,766,752)	(2,064,843)
Transfer in/out	2,590,046	2,819,523	5,409,569
31 December 2015	5,123,638	5,721,659	10,845,297
<b>Accumulated depreciation</b>			
1 January 2014	-	525,749	525,749
Depreciation for the year	-	175,129	175,129
Transfer in/out	-	65,125	65,125
31 December 2014	-	766,003	766,003
Depreciation for the year	-	235,152	235,152
Depreciation on disposal	(424)	(113,221)	(113,645)
Transfer in/out	119,701	68,816	188,517
31 December 2015	119,277	956,750	1,076,027
<b>Net book value</b>			
1 January 2014	2,104,279	1,430,374	3,534,653
31 December 2014	2,831,683	3,902,885	6,734,568
31 December 2015	5,004,361	4,764,909	9,769,270
<b>Depreciation for the year (included in cost of rental and related services)</b>			
2014			175,129
2015			235,152

(Unit: Thousand Baht)

	Separate financial statements		
	Land and land		
	improvement	Factory building	Total
<b>Cost</b>			
1 January 2014	1,289,073	1,334,776	2,623,849
Disposal	(17,279)	(106,302)	(123,581)
Transfer in/out	8,227	31,731	39,958
31 December 2014	1,280,021	1,260,205	2,540,226
Disposal	(58,790)	(275,676)	(334,466)
Transfer in/out	133,120	188,397	321,517
31 December 2015	1,354,351	1,172,926	2,527,277
<b>Accumulated depreciation</b>			
1 January 2014	-	434,481	434,481
Depreciation for the year	-	67,564	67,564
Depreciation on disposal	-	(9,966)	(9,966)
Transfer in/out	-	(35,381)	(35,381)
31 December 2014	-	456,698	456,698
Depreciation for the year	-	58,844	58,844
Depreciation on disposal	(133)	(37,323)	(37,456)
Transfer in/out	4,043	(3,739)	304
31 December 2015	3,910	474,480	478,390
<b>Net book value</b>			
1 January 2014	1,289,073	900,295	2,189,368
31 December 2014	1,280,021	803,507	2,083,528
31 December 2015	1,350,441	698,446	2,048,887
<b>Depreciation for the year (included in cost of rental and related services)</b>			
2014			67,564
2015			58,844

#### 14.2.2 The fair value of the investment properties

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2015	2014	2015	2014
Land and land improvement with factory and warehouse buildings for rent	13,502,310	8,348,743	4,132,087	3,405,696

For 2015 and 2014, the fair value has been determined based on the Company and its two subsidiaries' independent values. 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.

#### 14.2.3 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 10 months to 12 years. As at 31 December 2015 and 2014, future minimum rental income to be generated under these operating leases is as follows.

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Less than 1 year	845	758	269	290
In over 1 and up to 5 years	2,052	1,692	327	423
In over 5 years	717	614	52	86

#### 14.2.4 Collateralised investment properties for rent

As at 31 December 2015, investment properties for rent of the Company and its subsidiaries with a book value of Baht 2,397 million (2014: Baht 2,297 million) (The Company only: Baht 534 million, 2014: Baht 626 million) have been used as collateral for bank overdrafts, short-term loans and long-term loans from financial institutions.

#### 14.2.5 Amounts recognised in profit and loss that are related to investment properties for rent are as total amounts presented in rental and related service income and cost of rental and related services in income statement.

## 15. 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 2014	979,930	157,399	86,108	57,377	21,514	1,302,328
Purchase	-	191	5,037	5,015	8,169	18,412
Disposal	-	-	(682)	(1,081)	-	(1,763)
Transfer in/out	503,204	30,581	13,976	-	-	547,761
Translation adjustment	-	(839)	-	(31)	(17)	(887)
31 December 2014	1,483,134	187,332	104,439	61,280	29,666	1,865,851
Purchase	-	-	3,940	4,730	5,693	14,363
Disposal/write-off	(1,225)	(12,874)	(4,625)	(1,430)	(6,842)	(26,996)
Transfer in/out	(1,451,059)	(87,272)	21,714	451	-	(1,516,166)
Translation adjustment	-	1,895	-	77	(67)	1,905
31 December 2015	30,850	89,081	125,468	65,108	28,450	338,957
<b>Accumulated depreciation</b>						
1 January 2014	87,513	16,545	51,887	38,442	13,038	207,425
Depreciation for the year	36,708	8,775	7,313	7,596	2,918	63,310
Depreciation on disposal	-	-	(565)	(925)	-	(1,490)
Transfer in/out	(664)	(14)	3,910	-	-	3,232
Translation adjustment	-	(55)	-	(12)	(12)	(79)
31 December 2014	123,557	25,251	62,545	45,101	15,944	272,398
Depreciation for the year	48,973	11,143	11,091	7,429	3,713	82,349
Depreciation on disposal/write-off	-	(5,043)	(3,924)	(1,353)	(3,384)	(13,704)
Transfer in/out	(172,530)	(16,647)	3,588	-	-	(185,589)
Translation adjustment	-	266	-	52	(41)	277
31 December 2015	-	14,970	73,300	51,229	16,232	155,731
<b>Net book value</b>						
1 January 2014	892,417	140,854	34,221	18,935	8,476	1,094,903
31 December 2014	1,359,577	162,081	41,894	16,179	13,722	1,593,453
31 December 2015	30,850	74,111	52,168	13,879	12,218	183,226
<b>Depreciation for the year (included in administrative expenses)</b>						
2014						63,310
2015						82,349

(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 2014	60,240	30,466	34,525	18,011	143,242
Purchase	-	3,853	2,888	4,413	11,154
Disposal/write-off	-	(486)	(1,027)	-	(1,513)
Transfer in/out	31,939	-	504	-	32,443
31 December 2014	92,179	33,833	36,890	22,424	185,326
Purchase	-	735	1,781	2,357	4,873
Disposal/write-off	(1,224)	(3,241)	(968)	(3,626)	(9,059)
Transfer in/out	(90,955)	-	-	-	(90,955)
31 December 2015	-	31,327	37,703	21,155	90,185
<b>Accumulated depreciation</b>					
1 January 2014	1,200	20,435	25,598	11,925	59,158
Depreciation for the year	1,684	-	4,196	2,029	7,909
Depreciation on disposal/ write-off	-	(369)	(875)	-	(1,244)
Transfer in/out	-	3,038	-	-	3,038
31 December 2014	2,884	23,104	28,919	13,954	68,861
Depreciation for the year	2,128	-	3,876	2,408	8,412
Depreciation on disposal/ write-off	-	(3,018)	(927)	(1,750)	(5,695)
Transfer in/out	(5,012)	3,473	-	-	(1,539)
31 December 2015	-	23,559	31,868	14,612	70,039
<b>Net book value</b>					
1 January 2014	59,040	10,031	8,927	6,086	84,084
31 December 2014	89,295	10,729	7,971	8,470	116,465
31 December 2015	-	7,768	5,835	6,534	20,146
<b>Depreciation for the year (included in administrative expenses)</b>					
2014					7,909
2015					8,412

As at 31 December 2015, its subsidiaries had vehicles with net book value of Baht 4 million (2014: Baht 3 million) which were acquired under finance lease agreements.

As at 31 December 2015, certain items of equipment were fully depreciated but are still in use. The gross carrying amount (before deducting accumulated depreciation) of those assets amounted to Baht 78 million (2014: Baht 74 million) (The Company only: Baht 46 million, 2014: Baht 46 million).

As at 31 December 2015, the Company's and a subsidiary's land, land improvement and buildings with total book value of Baht 25 million (2014: Baht 575 million) (The Company only: none, 2014: Baht 46 million) have been used as collateral for bank overdrafts, short-term loans and long-term loans from financial institutions.

## 16. COMPUTER SOFTWARE

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
<b>Cost</b>		
Balance as at 1 January 2014	28,692	22,995
Acquisition during the year	1,791	1,737
Disposal/write off during the year	(15)	(15)
Balance as at 31 December 2014	30,468	24,717
Disposal/write off during the year	177	152
Balance as at 31 December 2015	30,645	24,869
<b>Accumulated amortisation</b>		
Balance as at 1 January 2014	23,303	19,494
Amortisation for the year	1,994	1,655
Disposal/write off during the year	(5)	(5)
Balance as at 31 December 2014	25,292	21,144
Amortisation for the year	1,594	1,377
Balance as at 31 December 2015	26,886	22,521
<b>Net book value</b>		
Balance as at 1 January 2014	5,389	3,501
Balance as at 31 December 2014	5,176	3,573
Balance as at 31 December 2015	3,759	2,348

As at 31 December 2015, certain items of computer software were fully amortised but are still in use. The gross carrying amount (before deducting accumulated amortisation) of those assets amounted to Baht 23 million (2014: Baht 22 million) (The Company only: Baht 20 million, 2014: Baht 19 million).

## 17. SHORT-TERM LOANS

(Unit: Thousand Baht)

	Interest rates (percent per annum)	Consolidated		Separate	
		financial statements		financial statements	
		2015	2014	2015	2014
Short-term loans	1.71-2.85	<u>2,040,000</u>	<u>660,000</u>	<u>2,040,000</u>	<u>660,000</u>

As at 31 December 2015, the Company had overdraft and short-term loan credit facilities which have not yet been drawn down totaling Baht 755 million (2014: Baht 755 million).

As at 31 December 2015, the parts of the Company and its subsidiaries' investment properties under development and available for rent/sale and investment properties for rent, with total book value of Baht 146 million (2014: Baht 187 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 312 million (2014: Baht 354 million), and a market value amounting to Baht 705 million (2014: Baht 692 million), have been pledged as collateral for liabilities under trust receipts, bank overdrafts and short-term loans from financial institutions.

## 18. TRADE AND OTHER PAYABLES

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2015	2014	2015	2014
Trade payables - unrelated parties	345,228	405,112	29,797	100,340
Other payables - related parties	6,364	7,867	2,487	2,412
Accrued interest expenses:				
Related party	82	87	80	-
Unrelated parties	205,509	171,409	205,458	171,281
Accrued expenses:				
Related parties	133	-	133	-
Unrelated parties	49,021	76,279	32,664	55,274
Total trade and other payables	<u>606,337</u>	<u>660,754</u>	<u>270,619</u>	<u>329,307</u>



## 19. LIABILITIES UNDER FINANCE LEASE AGREEMENTS

(Unit: Thousand Baht)

	Consolidated financial statements	
	2015	2014
Liabilities under finance lease agreements	4,727	3,850
Less : Deferred interest expenses	(666)	(632)
Total	4,061	3,218
Less : Portion due within one year	(1,150)	(686)
Liabilities under finance lease agreements - net of current portion	2,911	2,532

The subsidiaries have entered into finance lease agreements for rental of vehicles for use in their operations, whereby they are committed to pay rental on a monthly basis. The terms of the agreements are generally 4 years.

As at 31 December 2015, future minimum lease payments required under the finance lease agreements were as follows:

(Unit: Thousand Baht)

	As at 31 December 2015		
	Less than 1 year	Over 1-5 years	Total
Future minimum finance lease payments	1,391	3,336	4,727
Deferred interest expenses	(241)	(425)	(666)
Present value of future minimum lease payments	1,150	2,911	4,061

## 20. LONG-TERM LOANS

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

(Unit: Million Baht)

Loans	Contract date	Outstanding loans				Significant conditions			
		Consolidated financial statements		Separate financial statements		Period	Repayment schedule	Installment period	Interest rate
		2015	2014	2015	2014				
1.	2 July 2012	113	182	113	182	8 years	Every 6 months	December 2013 - December 2017	MLR minus a certain rate
2.	30 October 2012	165	500	-	-	10 years	Every 6 months	January 2016 - December 2020	MLR minus a certain rate
3.	22 November 2012	298	319	298	319	8 years	Every 6 months	June 2016 - December 2019	MLR minus a certain rate
4.	29 November 2013	401	6	401	6	9 years	Every 6 months	June 2017 - June 2022	MLR minus a certain rate
5.	27 August 2015	50	-	-	-	9 years	Every 6 months	March 2019 - September 2024	MLR minus a certain rate
Total		1,027	1,007	812	507				
Less Current portion		(305)	(55)	(140)	(55)				
Long term loans, net		722	952	672	452				

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

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
Balance as at 31 December 2014	1,007,384	506,502
Add: Additional borrowings during the year	488,721	438,721
Less: Repayments during the year	(469,225)	(133,243)
Balance as at 31 December 2015	1,026,880	811,980

As at 31 December 2015, the long-term loans credit facilities of the Company and a subsidiary have not yet been drawn down amounted to Baht 4,783 million (2014: Baht 4,074 million).

As at 31 December 2015, 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 total book value of Baht 5,426 million (2014: Baht 5,004 million), have been pledged as collateral for aforesaid long-term loans. In addition, as at 31 December 2015, its subsidiary's credit facilities from financial institutions amounting to Baht 4,067 million are guaranteed by the Company (2014: Baht 4,067 million).

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

## 21. DEBENTURES

As at 31 December 2015, the Company had outstanding of debentures amounting to Baht 18,190 million (2014: Baht 14,810 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.

Outstanding balance as at 31 December								
No.	Issued date	No. of debentures		Amount		Coupon rate	Tenure	Maturity date
		2015	2014	2015	2014			
		(Million units)	(Million Baht)	(Million Baht)	(Million Baht)			
1/2010	12 February 2010	-	0.25	-	250	4.28	5 years	12 February 2015
3/2010	3 September 2010	-	0.20	-	200	3.73	5 years	3 September 2015
4/2010	29 September 2010	-	0.22	-	220	3.52	5 years	29 September 2015
1/2011	20 May 2011	0.65	0.65	650	650	4.23	5 years	20 May 2016
2/2011	8 July 2011	0.35	0.35	350	350	4.78	7 years	8 July 2018
3/2011	28 December 2011	0.65	0.65	650	650	4.60	5 years	28 December 2016
4/2011	30 December 2011	0.35	0.35	350	350	4.60	5 years	30 December 2016
1/2012	10 January 2012	0.10	0.10	100	100	4.60	5 years	10 January 2017
3/2012	18 May 2012	-	0.80	-	800	4.28	3 years	18 May 2015
4/2012	5 July 2012	0.50	0.50	500	500	4.49	5 years	5 July 2017
5/2012	17 August 2012	-	0.70	-	700	4.05	3 years	17 August 2015
5/2012	17 August 2012	0.30	0.30	300	300	4.17	5 years	17 August 2017
6/2012	26 September 2012	1.00	1.00	1,000	1,000	4.90	10 years	26 September 2022
1/2013	11 February 2013	0.50	0.50	500	500	3.62	3 years	11 February 2016
2/2013	15 May 2013	0.30	0.30	300	300	3.60	3 years	15 May 2016
2/2013	15 May 2013	1.20	1.20	1,200	1,200	4.00	5 years	15 May 2018
2/2013	15 May 2013	0.50	0.50	500	500	4.30	7 years	15 May 2020
3/2013	12 September 2013	0.60	0.60	600	600	4.13	3 years	12 September 2016
3/2013	12 September 2013	0.30	0.30	300	300	4.73	5 years	12 September 2018
4/2013	8 October 2013	0.44	0.44	440	440	4.49	3 years 11 months 12 days	20 September 2017
5/2013	18 October 2013	0.62	0.62	620	620	4.85	6 years	18 October 2019
1/2014	17 January 2014	1.00	1.00	1,000	1,000	3.89	3 years	17 January 2017
1/2014	17 January 2014	0.60	0.60	600	600	4.71	5 years	17 January 2019
2/2014	18 July 2014	1.15	1.15	1,150	1,150	3.82	3 years	18 July 2017
2/2014	18 July 2014	0.80	0.80	800	800	4.80	7 years	18 July 2021
3/2014	21 July 2014	0.53	0.53	530	530	3.82	3 years 4 days	25 July 2017
4/2014	3 December 2014	0.20	0.20	200	200	2.90	2 years 4 days	7 December 2016
1/2015	19 January 2015	1.55	-	1,550	-	3.08	3 years	19 January 2018
2/2015	15 May 2015	1.00	-	1,000	-	2.91	4 years	15 May 2019
2/2015	15 May 2015	1.00	-	1,000	-	3.69	7 years	15 May 2022
3/2015	14 August 2015	0.70	-	700	-	2.44	3 years	14 August 2018
3/2015	14 August 2015	0.60	-	600	-	3.22	5 years	14 August 2020
3/2015	14 August 2015	0.70	-	700	-	4.03	8 years	14 August 2023
		<u>18.19</u>	<u>14.81</u>	<u>18,190</u>	<u>14,810</u>			

## 21.1 The outstanding balance of the debentures

(Unit: Thousand Baht)

	Consolidated financial statements/ Separate financial statements	
	<u>2015</u>	<u>2014</u>
Debentures	18,190,000	14,810,000
Less: Current portion	(3,250,000)	(2,170,000)
Debentures - net of current portion	<u>14,940,000</u>	<u>12,640,000</u>

## 21.2 Movements of debentures

(Unit: Thousand Baht)

	Consolidated financial statements/ Separate financial statements	
	<u>2015</u>	<u>2014</u>
Balance - beginning of year	14,810,000	11,610,000
Add: Issuances of debentures during the year	5,550,000	4,280,000
Less: Redemptions during the year	(2,170,000)	(1,080,000)
Balance - end of year	<u>18,190,000</u>	<u>14,810,000</u>

## 22. PROVISION FOR LONG-TERM EMPLOYEE BENEFITS

Provision for long-term employee benefits, which represents compensation payable to employees after they retire from the Company, was as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
<b>Defined benefit obligation at beginning of year</b>	28,405	25,345	24,582	22,351
Included in profit or loss:				
Current service cost	5,107	2,365	3,543	1,649
Interest cost	810	775	620	662
Included in other comprehensive income:				
Actuarial (gain) loss arising from				
Demographic assumptions changes	(4,164)	-	(3,479)	-
Financial assumptions changes	1,978	-	1,833	-
Experience adjustments	1,186	-	(682)	-
Benefits paid during the year	(1,117)	(80)	(1,117)	(80)
<b>Defined benefit obligation at end of year</b>	<u>32,205</u>	<u>28,405</u>	<u>25,300</u>	<u>24,582</u>

Line items in profit or loss under which long-term employee benefit expenses are recognised are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Administrative expenses	5,917	3,140	4,163	2,311

As at 31 December 2015, the Company and its subsidiary have cumulative actuarial gains, which were recognised in other comprehensive income of the Company and its subsidiary, amounted to Baht 1.0 million (2014: none) (the Company only: Baht 2.3 million, 2014: none). The weighted average duration of the liabilities for long-term employee benefit is 19-24 years (2014: 19-21 years) (Separate financial statements: 19 years, 2014: 19 years).

The Company and its subsidiaries expect to pay none of long-term employee benefits during the next year (2014: Baht 1 million) (Separate financial statements: none, 2014: none).

Key actuarial assumptions used for the valuation are as follows:

	Consolidated financial statements		Separate financial statements	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	(% per annum)	(% per annum)	(% per annum)	(% per annum)
Discount rate	2.92 - 3.74	3.9	2.92	3.9
Future salary increase rate	4.0 - 5.0	4.0 - 5.0	4.0 - 5.0	4.0 - 5.0
Staff turnover rate (depending on age)				
- Head office	0.0 - 18.0	0.0 - 18.0	0.0 - 13.0	0.0 - 18.0
- Sites	21.0 - 40.0	35.0 - 50.0	21.0 - 40.0	35.0 - 50.0

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

	(Unit: Million Baht)			
	Consolidated financial statements		Separate financial statements	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
Discount rate	(3)	3	(2)	2
Future salary increase rate	3	(3)	2	(2)
Staff turnover rate (depending on age)	(3)	2	(2)	1

## 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% of its net profit after deducting accumulated deficit brought forward (if any), until the reserve reaches 10% of the registered share capital. The statutory reserve is not available for dividend distribution.

## 24. SALES AND COST OF SALES OF PROPERTIES

24.1 The details of sales and cost of sales of properties are as follows:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Sales of properties				
Land and building sales	2,216	3,159	353	1,576
Building sales by finance lease	1,130	1,402	299	414
	<u>3,346</u>	<u>4,561</u>	<u>652</u>	<u>1,990</u>
Cost of sales of properties				
Land and building sales	1,550	2,017	202	853
Building sales by finance lease	851	1,175	139	146
	<u>2,401</u>	<u>3,192</u>	<u>341</u>	<u>999</u>

24.2 Provision related to sales of properties

(Unit: Thousand Baht)

	Consolidated financial statement		
	Guarantees of rental and service income	Guarantees of purchase price for properties with options to buy at market price	Total
31 December 2014	67,963	65,228	133,191
Increase during the year	50,270	-	50,270
Utilised	(39,388)	-	(39,388)
Reversal	(18)	(8,037)	(8,055)
31 December 2015	<u>78,827</u>	<u>57,191</u>	<u>136,018</u>
<b>2015</b>			
Current	65,558	10,770	76,328
Non-current	13,269	46,421	59,690
	<u>78,827</u>	<u>57,191</u>	<u>136,018</u>

(Unit: Thousand Baht)

	Separate financial statement		
	Guarantees of rental and service income	Guarantees of purchase price for properties with options to buy at market price	Total
31 December 2014	5,562	65,228	70,790
Utilised	(5,562)	-	(5,562)
Reversal	-	(8,037)	(8,037)
31 December 2015	-	57,191	57,191
<b>2015</b>			
Current	-	10,770	10,770
Non-current	-	46,421	46,421
	-	57,191	57,191

The provision above included the proportion of the Company's interest in TICON Freehold and Leasehold Real Estate Investment Trust ("the Trust") amounting to Baht 25 million (2014: Baht 16 million) as unrealised expense in consolidated financial statements.

#### **Guarantees of rental and service income**

The Company and its subsidiary recognised a provision for the vacant properties by applying assumptions, based on current occupancy and rental and service fees of the properties. The Company and its subsidiary have guaranteed the occupation to the Trust for one year and four years in the amount of Baht 60 million, and Baht 19 million, respectively.

#### **Guarantees of purchase price for properties with options to buy at market price**

The Company recognised a provision for guarantees of purchase price for properties with options to buy at market price, based on the estimation of difference between the price of option to buy of tenants who had option of purchasing the properties and the market price that the Trust shall receive from the sale of properties, and recorded the amount expected to be paid to the Trust as provision. The Company has guaranteed the purchase price for three tenants to the Trust. Two tenants have the rights to exercise the option within the first quarter of 2016, and the other tenant has the right to exercise the option until the second quarter of 2019.

## 25. EXPENSES BY NATURE

Significant expenses classified by nature are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Salaries and wages and other employee benefits	212,585	196,897	143,299	137,345
Depreciation and amortisation	522,574	432,867	151,125	132,926
Repair and maintenance	44,415	56,252	16,454	21,713
Rental expense from operating lease agreements	65,682	60,739	37,152	37,886

## 26. INCOME TAX

### 26.1 Income tax expense

Income tax expense for the years ended 31 December 2015 and 2014 are made up as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
<b>Current income tax:</b>				
Current income tax charge	27,285	120,742	-	119,140
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	62,477	17,781	33,964	33,499
<b>Income tax expense reported in income statement</b>	<u>89,762</u>	<u>138,523</u>	<u>33,964</u>	<u>152,639</u>



The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2015 and 2014 are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Deferred tax on actuarial gain	200	-	466	-
	<u>200</u>	<u>-</u>	<u>466</u>	<u>-</u>

The reconciliation between accounting profit and income tax expense is shown below.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Accounting profit before income tax	860,721	900,094	573,718	1,377,167
Applicable tax rate	20%	0% - 20%	20%	20%
Accounting profit before tax multiplied by income tax rate	172,144	180,019	114,744	275,433
Effects of:				
Promotional privileges	(60,460)	(82,435)	-	(41,879)
Dividend income from subsidiary and associates	-	-	(161,681)	(79,022)
Non-deductible expenses and income	(21,922)	40,939	80,901	(1,893)
Total	<u>(82,382)</u>	<u>(41,496)</u>	<u>(80,780)</u>	<u>(122,794)</u>
Income tax expenses reported in income statement	<u>89,762</u>	<u>138,523</u>	<u>33,964</u>	<u>152,639</u>

## 26.2 Deferred tax assets and deferred tax liabilities

As of 31 December 2015 and 2014, the components of deferred tax assets and deferred tax liabilities are as follows:

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
<b>Deferred tax assets</b>				
Unrealised gains on sales of				
properties to associates	229,372	250,966	-	-
Provision for long-term employee				
benefits	6,374	5,638	5,060	4,917
Allowance for doubtful accounts	903	903	903	903
Provisions	28,623	31,907	13,937	16,777
Customer deposits	16,158	12,137	6,431	6,614
Write-off property and plant	1,811	-	245	-
Cost of sales of properties	22,640	-	558	-
Tax losses	297	-	-	-
Total	<u>306,178</u>	<u>301,551</u>	<u>27,134</u>	<u>29,211</u>
<b>Deferred tax liabilities</b>				
Operating leases receivables	4,301	3,352	2,146	1,689
Building sales by finance lease	273,580	207,225	198,148	166,252
Total	<u>277,881</u>	<u>210,577</u>	<u>200,294</u>	<u>167,941</u>
Deferred tax assets (liabilities)	<u>28,297</u>	<u>90,974</u>	<u>(173,160)</u>	<u>(138,730)</u>

As at 31 December 2015, the Company has the unused taxable losses amounting to Baht 340 million, on which deferred tax assets have not been recognised. The Company considers that the future taxable profits on the non-granted promotional privileges transactions may not be sufficient to allow utilisation of the unused taxable losses.

As at 31 December 2015, the Company has the unused tax losses amounting to Baht 340 million which will expire by 2020.

## 27. PROMOTIONAL PRIVILEGES

The Company and its two subsidiaries have been granted promotional privileges under the provisions of the Industrial Investment Promotion Act with respect to building development for factories and/or warehouses for 42 projects of the Company and 15 projects of its subsidiaries. Such promotional privileges included an exemption of corporate income tax for a period of 3 years to 8 years and a 50% reduction of corporate income tax for a period of 5 years after promotional period ends for 14 projects of the Company and 4 projects of its subsidiaries.

The Company and its subsidiaries' operating revenues for the years ended 31 December 2015 and 2014, divided between promoted and non-promoted operations, are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements					
	Promoted		Non-promoted		Total	
	2015	2014	2015	2014	2015	2014
Rental and service income	502,445	466,336	546,102	499,721	1,048,547	966,057
Revenues from services	-	-	30,158	54,159	30,158	54,159
Sales of properties	1,490,022	2,766,569	1,855,584	1,794,706	3,345,606	4,561,275
Utility income	-	1,128	35,625	36,824	35,625	37,952
Management fee income						
from associates	-	-	204,123	165,341	204,123	165,341
Gains on sale of investments						
in associates	-	-	126,300	1,496	126,300	1,496
Interest income	215	191	6,306	8,058	6,521	8,249
Insurance claim	-	-	170	2,428	170	2,428
Other income	-	700	56,880	58,800	56,880	59,500
Total	1,992,682	3,234,924	2,861,248	2,621,533	4,853,930	5,856,457

(Unit: Thousand Baht)

	Separate financial statements					
	Promoted		Non-promoted		Total	
	2015	2014	2015	2014	2015	2014
Rental and service income	80,948	133,416	276,515	322,729	357,463	456,145
Revenues from service	-	-	22,667	40,937	22,667	40,937
Sales of properties	494,314	1,481,349	158,016	508,415	652,330	1,989,764
Utility income	-	-	8,727	10,960	8,727	10,960
Dividend income from						
subsidiary	-	-	458,500	16,750	458,500	16,750
Dividend income from						
associates	-	-	367,643	380,516	367,643	380,516
Management fee income						
from associates	-	-	128,274	127,295	128,274	127,295
Gains on sale of investments						
in associates	-	-	44,424	4,473	44,424	4,473
Gains on sale of investments						
in subsidiary	-	-	-	67,000	-	67,000
Interest income	-	-	65,498	439,468	65,498	439,468
Insurance claim	-	-	4	2,322	4	2,322
Other income	-	-	41,389	41,263	41,389	41,263
Total	575,262	1,614,765	1,571,657	1,962,128	2,146,919	3,576,893

## 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	
	<u>2015</u> (Thousand Baht)	<u>2014</u> (Thousand Baht)	<u>2015</u> (Thousand shares)	<u>2014</u> (Thousand shares)	<u>2015</u> (Baht)	<u>2014</u> (Baht)
<b>Basic earnings per share</b>						
Profit attributable to equity holders of the parent	769,741	761,735	1,099,142	1,001,560	0.70	0.76
<b>Effect of dilutive potential ordinary shares</b>						
Warrants/TSRs						
TICON-T2	-	-	-	2,830		
TICON-W6	-	-	-	1,089		
<b>Diluted earnings per share</b>						
Profit of ordinary shareholders assuming the conversion of warrants/TSRs to ordinary shares	769,741	761,735	1,099,142	1,005,479	0.70	0.76
Separate financial statements						
	Profit for the year		Weighted average number of ordinary shares		Earnings per share	
	<u>2015</u> (Thousand Baht)	<u>2014</u> (Thousand Baht)	<u>2015</u> (Thousand shares)	<u>2014</u> (Thousand shares)	<u>2015</u> (Baht)	<u>2014</u> (Baht)
<b>Basic earnings per share</b>						
Profit attributable to equity holders of the parent	539,753	1,224,527	1,099,142	1,001,560	0.49	1.22
<b>Effect of dilutive potential ordinary shares</b>						
Warrants/TSRs						
TICON-T2	-	-	-	2,830		
TICON-W6	-	-	-	1,089		
<b>Diluted earnings per share</b>						
Profit of ordinary shareholders assuming the conversion of warrants/TSRs to ordinary shares	539,753	1,224,527	1,099,142	1,005,479	0.49	1.22

## 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 investment properties - factories
- The development of investment properties - warehouses
- The provision of service
- 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 years ended 31 December 2015 and 2014, respectively.

(Unit: Million Baht)

<b>For the year ended</b> <b>31 December 2015</b>	The development of investment properties - factories	The development of investment properties - warehouses	The provision of service	The manage- ment fee	Others	Total reportable segments	Adjustments and eliminations	Consolidated
Revenue from external customers	1,052	3,383	30	204	183	4,852	(5)	4,847
Interest revenue	66	-	-	-	-	66	(60)	6
Interest expense	(733)	(69)	-	-	-	(802)	51	(751)
Depreciation and amortisation	(63)	(177)	-	-	-	(240)	4	(236)
Interest in the profit or loss of associates and joint ventures accounted for by the equity method	292	35	-	-	2	329	-	329
Income tax expense	(56)	(18)	-	(16)	-	(90)	-	(90)
<b>Segment profit (loss)</b>	<b>(134)</b>	<b>630</b>	<b>(7)</b>	<b>108</b>	<b>160</b>	<b>757</b>	<b>14</b>	<b>771</b>
<b>Segment total assets</b>	<b>10,704</b>	<b>25,605</b>	-	-	-	<b>36,309</b>	<b>(15)</b>	<b>36,294</b>
Investment in associates and joint ventures accounted for by the equity method	1,659	1,498	-	-	422	3,579	-	3,579
Additions to non-current assets other than financial instruments and deferred tax assets	1,345	5,594	-	-	-	6,939	-	6,939

(Unit: Million Baht)

<b>For the year ended</b> <b>31 December 2014</b>	The development of investment properties - factories	The development of investment properties - warehouses	The provision of service	The manage- ment fee	Others	Total segments	Adjustments and eliminations	Consolidated
Revenue from external customers	2,492	3,079	54	165	63	5,853	(5)	5,848
Interest revenue	439	-	-	-	1	440	(432)	8
Interest expense	(613)	(354)	-	-	-	(967)	333	(634)
Depreciation and amortisation	(72)	(107)	-	-	-	(179)	4	(175)
Interest in the profit or loss of associates accounted for by the equity method	43	68	-	-	-	111	-	111
Income tax expense	(137)	11	(13)	-	-	(139)	-	(139)
<b>Segment profit (loss)</b>	<b>732</b>	<b>(1)</b>	<b>(15)</b>	<b>81</b>	<b>46</b>	<b>843</b>	<b>(81)</b>	<b>762</b>
<b>Segment total assets</b>	<b>9,422</b>	<b>21,781</b>	-	-	-	<b>31,203</b>	<b>6</b>	<b>31,209</b>
Investment in associates accounted for by the equity method	1,976	1,345	-	-	-	3,321	-	3,321
Additions to non-current assets other than financial instruments and deferred tax assets	2,020	6,408	-	-	-	8,428	-	8,428

## Geographic information

The Company and its subsidiaries operate their business in Thailand only. As a result, all of revenues and assets as reflected in these financial statements pertain exclusively to this geographical reportable segments.

## Major customers

For the year 2015, the Company and its subsidiaries have revenue from one major customer in the amount of Baht 3,159 million, arising from the development of investment properties - factories and the development of investment properties - warehouses (2014: Baht 4,228 million derived from one major customer, arising from the development of investment properties - factories and the development of investment properties - warehouses).

## 30. PROVIDENT FUND

The Company, its subsidiaries and their employees have jointly established a provident fund. The fund is contributed by both employees and the Company and its subsidiaries at the rates of 2 - 4% of wages. The fund was managed by Bank of Ayudhya Public Company Limited. During the year 2015, the Company and its subsidiaries contributed Baht 4 million (2014: Baht 4 million) to the fund.

## 31. DIVIDENDS PAID

Dividends for the years ended 31 December 2015 and 2014 consist of the following:

Dividends	Approved by	Total dividends	Dividend per share
		(Thousand Baht)	(Baht)
Dividend from the operating results of the year 2014	Annual General Meeting of the shareholders on 22 April 2015	549,538	0.5
Dividend from the operating results of the year 2013	Annual General Meeting of the shareholders on 22 April 2014	913,786	1.0

## 32. COMMITMENTS AND CONTINGENT LIABILITIES

### 32.1 Long-term lease agreements

- 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% of the previous fee

(b) The fee will be raised every five years, at the rate of not more than 10% 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 17 million per annum. These lease agreements cover a 3-years period, as from July 2015 to June 2018.

The Company and its subsidiaries have future minimum lease payments required under these operating leases contracts as follows.

	(Unit: Million Baht)			
	Consolidated financial statements		Separate financial statements	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Payable:				
In up to 1 year	37	101	25	19
In over 1 and up to 5 years	84	69	63	46
In over 5 years	49	58	49	58

### 32.2 Capital commitments

	(Unit: Million Baht)			
	Consolidated financial statements		Separate financial statements	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Agreements to purchase land for construction of factories and warehouses in the future	-	1,215	-	671
Agreements with contractors	765	1,576	36	74
Agreements for landfill	17	33	-	-
Total	<u>782</u>	<u>2,824</u>	<u>36</u>	<u>745</u>



As at 31 December 2015, a subsidiary had a letter of credit for capital commitment SGD 2 million, relating to the equipment installation in warehouse.

### 32.3 Bank guarantees

- (a) As at 31 December 2015, the Company has guaranteed bank guarantee facilities of its subsidiaries amounting to Baht 111 million (2014: Baht 111 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	
	2015	2014	2015	2014
Long-term land lease agreements	35	35	23	23
Utilities for construction projects	20	19	5	6
Retention for construction projects	-	50	-	-
Operation for construction projects of buildings	4	12	4	6
Total	59	116	32	35

### 32.4 Servitude over properties

As at 31 December 2015, the Company and its subsidiary have servitude over land of approximately 312 rai (2014: 227 rai) (The company only: 73 rai, 2014: 68 rai) of which the net book value is Baht 505 million (2014: Baht 430 million) (The company only: Baht 161 million, 2014: Baht 152 million) and is presented under the caption of investment properties for rent and property, plant and equipment.

### 32.5 Guarantees of rental 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.

The Company and TICON Logistics Park Company Limited, a subsidiary, as the Property Managers of TICON Freehold and Leasehold Real Estate Investment Trust ("the Trust"), have agreed to guarantee the occupancy as follows:

- For only properties sold/leased on 22 and 23 December 2014 that have been vacant after the registration of the transfer of ownership or leasehold rights of properties was completed by compensating the Trust at the same rate of rental and service fee that the latest tenant had paid until the Property Managers are able to find a new tenant and the new tenant pays the rental and service fee to the Trust or until after 12 months from date that the Trust first invested in the properties and registered the ownership transferring or the leasehold rights of the properties.
- For only properties sold/leased on 18 and 21 December 2015 that have been vacant after the registration of the transfer of ownership or leasehold rights of properties or the contracts terminated during 12 months was completed by compensating the Trust at the same rate of rental and service fee that the latest tenant had paid until the Property Managers are able to find a new tenant and the new tenant pays the rental and service fee to the Trust or until after 12 months from date that the Trust first invested in the properties and registered the ownership transferring or the leasehold for 1<sup>st</sup> capital increase rights of the properties.

As at 31 December 2015, 22 million units (2014: 22 million units) of the Company's investment units in TPARK Logistics Property Fund, with a value under the equity method of Baht 152 million (2014: Baht 165 million), and a market value amounting to Baht 269 million (2014: Baht 263 million), were pledged with a bank as collateral for such guarantee.

### **32.6 Undertaking**

The Company has issued a letter of undertaking to a financial institution with respect to the indebtedness of the subsidiary of PT SLP Surya TICON Internusa of 25%, which is the proportion of the Company's indirect shareholding in this subsidiary. The undertaking is effective from 29 October 2015 to 29 October 2021.

## 33. FINANCIAL INSTRUMENTS

### 33.1 Financial risk management

The Company and its subsidiaries' 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 service. 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 debts 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 its subsidiaries' exposure to interest rate risk relates primarily to its cash at banks, short-term loans, long-term borrowings and debentures. Most of the Company and its 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 2015

	Fixed interest rates						
	Within	Over	Over	Floating	Non- interest		Average
	1 year	1-5 years	5 years	interest rate	bearing	Total	interest rate
	(Million Baht)						(% p.a.)
<b>Financial assets</b>							
Cash and cash equivalent	150	-	-	983	1	1,134	0.36
Current investments	22	-	-	-	-	22	1.59
Trade and other receivables	-	-	-	-	80	80	-
Pledged deposits at financial institution	57	-	-	-	-	57	0.95
Unbilled operating leases receivables	-	-	-	-	95	95	-
	229	-	-	983	176	1,388	
<b>Financial liabilities</b>							
Short-term loans	2,040	-	-	-	-	2,040	2.00
Trade and other payables	-	-	-	-	606	606	-
Debentures	3,250	11,440	3,500	-	-	18,190	4.08
Long-term loans from related party	72	613	63	-	-	748	4.09
Long-term loans	305	722	-	-	-	1,027	4.61
	5,667	12,775	3,563	-	606	22,611	

Consolidated financial statements as at 31 December 2014

	Fixed interest rates						
	Within	Over	Over	Floating	Non- interest		Average
	1 year	1-5 years	5 years	interest rate	bearing	Total	interest rate
	(Million Baht)						(% p.a.)
<b>Financial assets</b>							
Cash and cash equivalent	1	-	-	200	1	202	0.21
Current investments	258	-	-	-	-	258	2.08
Trade and other receivables	-	-	-	-	77	77	-
Pledged deposits at financial institution	71	-	-	-	-	71	2.80
Unbilled operating leases receivables	-	-	-	-	60	60	-
	330	-	-	200	138	668	
<b>Financial liabilities</b>							
Short-term loans	660	-	-	-	-	660	2.86
Trade and other payables	-	-	-	-	661	661	-
Debentures	2,170	10,340	2,300	-	-	14,810	4.26
Long-term loans from related party	-	542	206	-	-	748	4.28
Long-term loans	55	953	-	-	-	1,008	4.78
	2,885	11,835	2,506	-	661	17,887	

Separate financial statements as at 31 December 2015

	Fixed interest rates					Total	Average interest rate (% p.a.)
	Within	Over	Over	Floating	Non- interest		
	1 year	1-5 years	5 years	interest rate	bearing		
	(Million Baht)						
<b>Financial assets</b>							
Cash and cash equivalent	150	-	-	918	-	1,068	0.38
Trade and other receivables	-	-	-	-	40	40	-
Pledged deposits at financial institution	57	-	-	-	-	57	0.95
Unbilled operating leases receivables	-	-	-	-	12	12	-
	207	-	-	918	52	1,177	
<b>Financial liabilities</b>							
Short-term loans	2,040	-	-	-	-	2,040	2.00
Short-term loans from related party	291	-	-	-	-	291	1.00
Trade and other payables	-	-	-	-	271	271	-
Debentures	3,250	11,440	3,500	-	-	18,190	4.08
Long-term loans	140	672	-	-	-	812	4.75
	5,721	12,112	3,500	-	271	21,604	

Separate financial statements as at 31 December 2014

	Fixed interest rates					Total	Average interest rate (% p.a.)
	Within	Over	Over	Floating	Non- interest		
	1 year	1-5 years	5 years	interest rate	bearing		
	(Million Baht)						
<b>Financial assets</b>							
Cash and cash equivalent	1	-	-	76	-	77	0.41
Current investments	130	-	-	-	-	130	2.08
Trade and other receivables	-	-	-	-	44	44	-
Pledged deposits at financial institution	71	-	-	-	-	71	2.80
Unbilled operating leases receivables	-	-	-	-	11	11	-
Long-term loans to related company	-	-	-	1,820	-	1,820	4.19
	202	-	-	1,896	55	2,153	
<b>Financial liabilities</b>							
Short-term loans	660	-	-	-	-	660	2.86
Trade and other payables	-	-	-	-	329	329	-
Debentures	2,170	10,340	2,300	-	-	14,810	4.26
Long-term loans	55	452	-	-	-	507	4.61
	2,885	10,792	2,300	-	329	16,306	

## Foreign currency risk

The Company and its 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.

As at 31 December 2015 and 2014, the Company has no balances of financial assets or liabilities denominated in foreign currencies.

### 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.

The carrying value and fair value of fixed rate long-term financial liabilities as at 31 December 2015 and 2014 are presented below.

(Unit: Million Baht)

	Consolidated/Separate financial statements as at 31 December			
	2015		2014	
	Carrying value	Fair value	Carrying value	Fair value
Debentures	18,190	18,719	14,810	15,220

The methods and assumptions used by the Company in estimating the fair value of debentures are based on the latest yield rated quoted by the Thai Bond Market Association as of the date of the statement of financial position or the discounted cash flow method. The discount rate is based on the prevailing rates of return as of the end of reporting period for debentures having substantially the same terms and characteristics. During the year, there was no transfer within the fair value hierarchy.

## 34. FAIR VALUE HIERARCHY

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

(Unit: Million Baht)

	Consolidated Financial Statements			
	Level 1	Level 2	Level 3	Total
<b>Assets for which fair value are disclosed</b>				
Investment in associates	5,723	-	-	5,723
Investment properties	-	-	32,890	32,890
<b>Liabilities for which fair value are disclosed</b>				
Debentures	-	18,719	-	18,719

(Unit: Million Baht)

	Separate Financial Statements			
	Level 1	Level 2	Level 3	Total
<b>Assets for which fair value are disclosed</b>				
Investment in associates	5,723	-	-	5,723
Investment properties	-	-	11,381	11,381
<b>Liabilities for which fair value are disclosed</b>				
Debentures	-	18,719	-	18,719

### 35. 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 2015, the Group's debt-to-equity ratio was 2.1:1 (2014: 1.7:1) and the Company's was 1.9:1 (2014: 1.4:1).

### 36. EVENTS AFTER THE REPORTING PERIOD

On 25 February 2016, the Board of Directors Meeting No. 1/2016 of the Company passed the following resolutions:

- (a) Resolved to propose to the 2016 Annual General Meeting of Shareholders to be held on 26 April 2016, to approve allotment of 2014 and 2015 net profit for dividend payment at Baht 0.50 per share. The payment will be made on 19 May 2016.
- (b) Approved the offering of properties for sale to potential investors on freehold and/or leasehold basis. The Company expects to sell and/or to lease out the properties during the year 2016 approximately 48 units with usable area of approximately 127,679 square metres, at a total price of approximately Baht 2,500 million.

### 37. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorised for issue by the Company's Board of Directors on 25 February 2016.

**CERTIFICATION OF THE ACCURACY OF AUDITOR'S REMUNERATION DETAILS  
FOR THE FISCAL YEAR ENDED 31 DECEMBER 2015**

**Audit fee**

No.	Company's name	Auditor's name	Audit fee (Baht)
1	TICON Industrial Connection Public Company	Ms. Rosaporn Decharkom	800,000
2	TICON Logistics Park Company Limited	Mr. Chayapol Suppasedtanon	510,000
3	ECO Industrial Services Company Limited	Mr. Chayapol Suppasedtanon	220,000
4	TICON Management Company Limited	Mr. Chayapol Suppasedtanon	230,000
<b>Total Audit fee</b>			<b>1,760,000</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.



(Ms. Rosaporn Decharkom)

EY 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 2015**

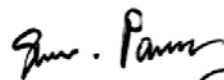
**Non-audit Fee**

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.	468,000	-
<b>Total Non-audit fee</b>				<b>468,000</b>	<b>-</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.



(Ms. Sirinee Pawareungjamroon)

Balance Figure Audit Co.,Ltd.

Auditor of TICON Industrial Connection Public Company Limited



**TICON Industrial Connection Public Company Limited**

Suite 1308, 13/1<sup>th</sup> Floor, Sathorn City Tower 175 South Road, Thungmahamek,  
Sathorn, Bangkok 10120 Thailand Tel : (662) 679-6565 Fax : (662) 287-3153 [www.ticon.co.th](http://www.ticon.co.th)