

สถิตในดวงใจตราบนิจนิรันดร์  
น้อมติระกราน กราบแทบพระยุคลบาท  
ด้วยสำนึกในพระมหากรุณาธิคุณเป็นล้นพ้นอันหาที่สุดมิได้  
ข้าพระพุทธเจ้า บริษัท ไพลอน จำกัด (มหาชน)

ANNUAL  
REPORT  
2016

**PYLON**  
PUBLIC COMPANY LIMITED

## วิสัยทัศน์

(Vision)

“มุ่งมั่นจะเป็นผู้นำงานก่อสร้างฐานราก  
ทั้งด้านคุณภาพ และประสิทธิภาพ”

“TO BE THE LEADING FOUNDATION  
CONTRACTOR IN QUALITY AND EFFICIENCY”

## เป้าหมาย

(Goal)

“ขยายฐานการให้บริการไปยังประเทศเพื่อนบ้านในภูมิภาคอาเซียนในธุรกิจที่เกี่ยวข้องกับงานก่อสร้าง  
โดยเน้นการก่อสร้างฐานรากเป็นหลัก เพื่อรองรับการเติบโตของประชาคมเศรษฐกิจอาเซียน”

“In order to serve the fast- growing ASEAN Economic Community, The Company plans  
to expand the construction service to neighboring countries in the ASEAN region  
primarily focusing on the foundation work”

รางวัลแห่งความภูมิใจ  
(Proud Award)

2014

Forbes Best Under A Billion



## ข้อมูลสรุปทางการเงิน (Financial Summary)

ข้อมูลทางการเงิน (พันบาท) Financial Data (Thousand Baht)	งบการเงินเฉพาะของบริษัท Separate Financial Statement			งบการเงินรวม Consolidated Financial Statement		
	2557	2558	2559	2557	2558	2559
	(2014)	(2015)	(2016)	(2014)	(2015)	(2016)
สินทรัพย์รวม Total Assets	1,229,951	1,155,727	1,005,620	1,265,521	1,163,614	1,015,549
หนี้สินรวม Total Liabilities	357,035	233,059	215,166	381,581	252,575	224,715
ส่วนของผู้ถือหุ้นของบริษัท Equity of the Company's Shareholders	872,916	922,668	790,454	872,916	916,737	790,834
รายได้จากการรับจ้างงานก่อสร้าง Revenues from Construction	1,154,078	1,203,764	1,021,755	1,367,876	1,221,312	1,062,713
กำไรสำหรับปี(ส่วนที่เป็นของผู้ถือหุ้นบริษัท) Income for the year (Portion of the Company's shareholders)	184,388	208,151	160,208	195,552	201,914	172,216

อัตราส่วนทางการเงิน Financial Ratio	งบการเงินเฉพาะของบริษัท Separate Financial Statement			งบการเงินรวม Consolidated Financial Statement		
	2557 (2014)	2558 (2015)	2559 (2016)	2557 (2014)	2558 (2015)	2559 (2016)
อัตรากำไรสุทธิ (%) Net Profit (%)	15.78%	17.08%	15.42%	14.23%	16.33%	15.98%
อัตราผลตอบแทนผู้ถือหุ้น (%) Return on Equity	24.63%	23.18%	18.70%	26.32%	22.56%	20.17%
อัตราผลตอบแทนจากสินทรัพย์ (%) Return on Assets (%)	21.36%	22.16%	17.76%	21.75%	19.90%	18.72%
กำไรสุทธิต่อหุ้น (บาท) Earning per share (Baht)	0.63	0.56	0.43	0.67	0.54	0.46
อัตราส่วนหนี้สินต่อส่วนของผู้ถือหุ้น (เท่า) Debt to Equity (Time)	0.41	0.25	0.27	0.43	0.28	0.28
อัตราการเติบโตของรายได้จากการรับจ้างงานก่อสร้าง (%) Revenues from Construction Growth (%)	6.34%	4.31%	-15.12%	5.72%	-10.71%	-12.99%
อัตราการเติบโตของกำไรสุทธิ (ส่วนที่เป็นของผู้ถือหุ้นบริษัท) (%) Net Profit (Portion of the Company's shareholders) Growth (%)	18.91%	12.89%	-23.03%	22.94%	3.25%	-14.84%

หมายเหตุ 1 รายได้จากการรับจ้าง หมายถึง รายได้จากงานฐานราก และงานก่อสร้าง

Remark 1 Revenue from rendering of service consist of revenue from foundation and construction works.

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## Chairman's Message to Shareholders of Pylon Public Company Limited



To: Shareholders of

Pylon Public Company Limited

In 2016, the foundation industry went through a downtrend cycle compared to the previous years. Nevertheless, thanks to the government's successful launch of megaprojects since Q3/2016, slightly improved household and private sector spending and positive signs of export recovery, the foundation sector showed gradual improvement during the second half of the year. In addition, the Company was successful in continuing to expand its customer base while ensuring effective cost control; as a result, its operating results for 2016 reached its specified planned targets.

As for 2017, the foundation industry growth outlook will rely upon a number of factors. One key factor is the government policy to consistently invest in additional infrastructure projects, including MRT, double-track railways, motorways, and Suvarnabhumi airport extensions. This should help stimulate and support private sector investment throughout the year; for example, the building of more commercial offices and condominiums. In effect, this should result in a positive impact on the foundation industry. It is expected that in 2017 the foundation industry outlook is likely to see gradual revival with clear signs of improvement in the second half of the year.

Since the Company's primary goal is to achieve long-term growth and sustainability, the Company shall continue to adhere to its policy on customer base expansion and give more priority to customer screening processes, effective cost control, liquidity management, and continued human resources development. Furthermore, the Company plans to seek new business opportunities by leveraging its strong financial status in order to achieve its long-term potential.

On behalf of the Board of Directors, I would like to take this opportunity to thank all shareholders for your trust in the Company's management and operations. Special thanks go to those who have provided to the Company their endless support. I also would like to thank the Company's management team and all of its employees for their joint efforts in carrying out their duties with accountability and diligence. All these factors play an important part in laying solid grounds for Pylon PLC's future development and ensuring its growth as well as ultimately achieving both its short and long-term goals.

A handwritten signature in black ink, appearing to read 'S. Chintanaseri'.

(Mr. Seri Chintanaseri)

Chairman of the Board of Directors



## Company's Board of Directors

### The Positions of Company's Directors and Executives

Mr. Seri Chintanaseri

75 Years

Chairman

Independent Director



#### Education :

- Barrister-at-Law, The Honourable Society of Lincoln's Inn, England
- Barrister-at-Law, Institute of Legal Education, Thailand
- Bachelor of law, Thammasart University

#### IOD Training :

- Directors Certification Program (65/2005)

#### Work Experience :

- 2005 – Present Chairman/ Independent Director, Pylon PLC.
- 1997 – Present Chairman, Seri Manop & Doyle Ltd
- 2014 – Present Director/ Executive Director, Double A (1991) PLC.
- 2003 – 2014 Director/ Member of the Audit Committee, Advance Agro PLC.
- 2010 - 2014 Legal Subcommittee, The Stock Exchange of Thailand
- 2007 - 2009 Director/ Member of the Audit Committee, Sammitr Motors Manufacturing PLC.

Percentage of Shareholding: 0.498



**Mr. Vongchai Sangarayakul****70 Years**

Founder Chairman

Director

Member of the Nomination and Remuneration Committee

**Education :**

- High School

**IOD Training :**

- Directors Accreditation Program (44/2005)

**Work Experience :**

2005 – Present Director/ Member of the Nomination and Remuneration Committee, Pylon PLC.

1967 – Present Owner, Siam Pharmacy

2004 - 2005 Director, Pylon Co., Ltd.

**Percentage of Shareholding :** 6.668

**Dr. Panja Senadisai****69 Years**

Independent Director

Chairman of the Audit and CG Committee

**Education :**

- Ph.D.Industrial Business Administration,Administration&Management College,King Mongkut's University of Technology,Ladkrabang
- Master of Business Administration (MBA), Suffolk University (USA)

**IOD Training :**

- Directors Certification Program (20/2002)
- Audit Committee Program (2004)
- Certificate of Attendance Role of Compensation Committee Program (2/2007)
- Corporate Governance for Capital Market Intermediaries

**Work Experience :**

- 2005 – Present Chairman of the Audit and CG Committee/ Independent Director, Pylon PLC.
- 2000 – Present Director, Somboon Advance Technology PLC.
- 2006 - Present Chairman of the Audit Committee/ Member of the Remuneration Committee, Somboon Advance Technology PLC.
- 2002 – Present Director/ Member of the Audit Committee/ Chairman of the Compensation Committee, Trinity Wattana PLC.
- 1983 – Present Director, KCE Electronics PLC.
- 2003 – 2014 Director/ Member of the Audit Committee, Rasa Properties Development PLC.
- 2004 – 2011 Chairman, Deva Property PLC.
- 2006 – 2009 Director/ Member of the Executive Board of Director/ Member of the Remuneration Committee, Government Saving Bank

Percentage of Shareholding: -

**Professor Emeritus Dr. Vinit Chovichien****71 Years**

Independent Director

Chairman of the Nomination &amp; Remuneration Committee

Member of the Audit and CG Committee

**Education:**

- Doctor of Philosophy, Purdue University, Indiana (USA)
- Master of Science in Civil Engineering , Purdue (USA)
- Bachelor of Civil Engineering, Chulalongkorn University

**IOD Training:**

- Directors Accreditation Program (44/2005)

**Work Experience :**

- 2013 – Present Chairman of the Nomination and Remuneration Committee, Pylon PLC.
- 2005 – Present Independent Director/ Member of the Audit and CG Committee/ Member of the Nomination & Remuneration Committee, Pylon PLC.
- 2007 – Present Special Instructor, Faculty of Engineering, Chulalongkorn University
- 2012 – Present Board Member – Council of Engineers (Term6)
- 1972 – 2007 Lecturer, Faculty of Engineering, Chulalongkorn University

Percentage of Shareholding : -

**Dr. Chanet Sangarayakul****43 Years**

Director

Chairman of the Executive and Risk Management Committee

President

**Education :**

- Doctor of Engineering, Asian Institute of Technology
- Master of Science in structure, Asian Institute of Technology
- Bachelor of Civil Engineering, Chulalongkorn University

**IOD Training :**

- Directors Accreditation Program (44/2005)

**Work Experience :**

- 2005 – Present Director/ Chairman of the Executive and Risk Management Committee, Pylon PLC.
- 2008 – Present Chairman, Excelon Co., Ltd.
- 2011 – 2015 Director, Thai Listed Companies Association
- 2011 – 2015 Director, mai Listed Companies Association
- 2002 – 2005 Chairman/ President, Pylon Co., Ltd.

**Percentage of Shareholding :** 35.005

**Dr. Chaipat Sahasakul****63 Years**

Independent Director

Member of the Audit and CG Committee

Member of the Nomination and Remuneration Committee

**Education :**

- Ph.D. in Economics, University of Rochester, USA
- Master of Arts in Economics, Thammasat University
- Bachelor of Economics, Thammasat University

**IOD Training :**

- Directors Certification Program (21/2002)
- Audit Committee Program (33/2010)
- Managing Conflicts in the Boardroom

**Work Experience :**

- 2013 – Present Member of the Nomination and Remuneration Committee, Pylon PLC.
- 2005 – Present Independent Director/ Member of the Audit and CG Committee, Pylon PLC.
- 2010 – Present Independent Director/Member of the Audit Committee, Thai Vegetable Oil PLC.
- 2016 – Present Director/ Chairman of the Risk Management Committee/ Member of the Executive and Investment Committee/ Member of the Remuneration Committee, East Water Group PLC.
- 2014 – 2016 Chairman, The Agricultural Futures Exchange of Thailand
- 2013 – 2016 Director, Faculty of Economics, Thammasat University
- 2012 – 2016 Director, National Research Council of Thailand
- 2013 – 2015 Independent Director/ Member of the Audit Committee, Thai Capital Corporation PLC.
- 2002 – 2012 Independent Director/ Chairman of the Audit Committee, Electricity Generating PLC.

**Percentage of Shareholding :** 0.333 held by his spouse

**Mr. Somsak Viriyapipat****58 Years**

Director

Member of the Executive and Risk Management Committee

Senior Executive Vice President – Equipment &amp; Facilities

Acting Vice President-Equipment &amp; Facilities

**Education :**

- Bachelor of Mechanical Engineering, King Mongkut's University of Technology North Bangkok

**IOD Training :**

- Directors Accreditation Program (44/2005)

**Work Experience :**

2005 – Present Director/ Member of the Executive and Risk Management Committee/

Senior Executive Vice President – Equipment & Facilities/ Acting Vice President-Equipment & Facilities, Pylon PLC.

2002 – 2005 Director/ DMD – Equipment & Facilities, Pylon Co., Ltd.

Percentage of Shareholding: 1.160

**Mr. Pisun Sirisulsakulchai****43 Years**

Director

Member of the Executive and Risk Management Committee

Senior Executive Vice President – Engineering &amp; Marketing

**Education :**

- Master of Art in Business Law, Chulalongkorn University
- Master of Business Administration(MBA), Rockhurst University (USA)
- Master of Science-Construction Management, University of Wisconsin-Madison (USA)
- Bachelor of Civil Engineering, Chulalongkorn University

**IOD Training:**

- Directors Accreditation Program (79/2009)

**Work Experience :**

- 2011 – Present Director/ Member of the Executive and Risk Management Committee/  
Senior Executive Vice President-Engineering and Marketing, Pylon PLC.
- 2008 – Present Director, Excelon Co., Ltd.
- 2008 – 2011 Executive Vice President – Engineering, Pylon PLC.
- 2008 – 2011 Director, Thaicar dot com Co., Ltd.
- 2006 – 2007 Project Manager, Pylon PLC.

**Percentage of Shareholding :** 1.965



**Mr. Suchat Boonbanjerd Sri****58 Years****Director****Education :**

- MBA Finance and Marketing Wharton School (Class of 1985), University of Pennsylvania, USA
- BA , Quantitative Economics, Chulalongkorn University

**IOD Training:**

- Director Certification Program (DCP),
- Audit Committee Program (ACP)

**Work Experience :**

2001	- Present	President, Practicum Engineering co. ltd
2001	- Present	Chairman of the Executive Management Committee, Knight Club Capital AMC
2011	- Present	Independent Director/ Chairman of the Corporate Governance Committee/ Member of the Audit Committee, Srithaisuperware PLC.
2014	- Present	Independent Director/ Chairman of the Audit Committee, Salee Printing PLC.
2014	- Present	Independent Director/ Chairman of the Audit Committee, General Engineering PLC.
2014	- Present	Independent Director/ Chairman of the Audit Committee, SNC Former PLC
2011	- Present	President, EDP Foundation

**Percentage of Shareholding : 2.038%**

**Mr. Bordin Sangarayakul****42 Years**

Senior Executive Vice President-Finance &amp; Management

**Education:**

- Master of Science (Construction Engineering and Management), Virginia Tech (USA)
- Bachelor of Civil Engineering, Chulalongkorn University

**IOD Training:**

Director Accreditation Program (DAP)

**Work Experience:**

- 2005 – Present Senior Executive Vice President – Finance & Management, Pylon PLC.
- 2008 – Present Director, Excelon Co., Ltd.
- 2005 – 29/2/2016 Director/ Member of the Executive and Risk Management Committee, Pylon PLC
- 2010 – 2012 Director, Aun Jung Co., Ltd.
- 2004 – 2005 Director/ DMD – Finance & Administration, Pylon Co., Ltd.

**Percentage of Shareholding:** 8.001%**Mr. Chaiyaphol Sutthamanuswong****43 Years**

Executive Vice President – Accounting and Finance

**Education:**

- Bachelor of Civil Engineering, Chulalongkorn University
- Master of Business Administration (MBA), Kasetsart University

**Work Experience:**

- 2016 – Present Executive Vice President – Accounting and Finance, Pylon PLC.
- 2013 – 2015 Executive Vice President – Finance, Pylon PLC.
- 1996 – 2013 VP Relationship Manager Bangkok Bank PLC.

**Percentage of Shareholding:** -**Mr. Veeratas Chiradechvirot****37 Years**

Executive Vice President – Management

**Education:**

- Master of Business Administration (MBA), Thammasart University
- Bachelor of Mechanical Engineering, King Mongkut's University of Technology North Bangkok

**Work Experience:**

- 2013 – Present Executive Vice President – Management, Pylon PLC.
- 2008 – 2012 Vice President – Purchasing, Pylon PLC.
- 2006 – 2007 Operating System Manager, Pylon PLC.

**Percentage of Shareholding:** -

**Mrs. Sureerat Nakaphadungrat****54 Years**

Vice President - Accounting

**Education:**

- Master of Business Administration (MBA), NIDA
- Bachelor of Business Administration (Accounting), Ramkhamhaeng University

**Work Experience :**

- 2005 – Present      Vice President – Accounting, Pylon PLC.
- 2000 – 2004      Accounting Manager, Cinecolor Lab Co., Ltd.

**Percentage of Shareholding: -****Mr. Korn Thongsri****43 Years**

Vice President – Human Resource

**Education:**

- Bachelor of Law, Ramkhamhaeng University

**Work Experience:**

- 2011 – Present      Vice President - Human Resource, Pylon PLC.
- 2009 – 2011      Human Resource Manager, TPP Group Co., Ltd.
- 2002 – 2009      Human Resource Manager, JVK International Logistics and Moving Co., Ltd.

**Percentage of Shareholding: -****Mr. Ratthakorn Nakachai****46 Years**

Vice President - Construction

**Education:**

- Bachelor of Civil Engineering, Khonkan University
- Master of Infrastructure Engineering and Management, Kasetsart University

**Work Experience:**

- 2015 – Present      Vice President – Construction, Pylon PLC.
- 2013 – 2015      Project Director, Pylon PLC.
- 2008 – 2013      Senior Project Manager, Pylon PLC.
- 2003 - 2008      Project Manager

**Percentage of Shareholding: -**

**Miss Thitima Taiwprateep**

**38 Years**

Company Secretary

**Education:**

- Bachelor of Accounting (Management), The University of Thai Chamber of Commerce

**Work Experience :**

- 2007 – Present                      Company Secretary, Pylon PLC.
- 2005 – 2007                        Human Resource Officer, Pylon PLC.
- 2002 – 2005                        Accounting Officer, Pylon Co., Ltd.

**Percentage of Shareholding : -**

## General Information

Pylon Public Company Limited (Pylon) is a specialty foundation construction company. The Company headquarters is located at 170/16 Soi Sammit (Sukhumvit Soi 16), Ratchadapisektadmai Road, Klongtoey Subdistrict, Klongtoey District, Bangkok 10110 and the maintenance yard is located at 22/4 Moo 11, Koobangluang Subdistrict, Ladlumkaew District, Patumthani. The Company's public company registration number is 0107548000536. Its phone number is 0-2661-8242, facsimile number is 0-2661-8247 and website address is [www.pylon.co.th](http://www.pylon.co.th).

At present, Pylon's registered capital is Baht 374,999,359 separated into 374,999,359 ordinary shares at Baht 1 par value per share and paid up capital is Baht 374,936,698.

### Details of Companies in which Pylon holds 10 % or more of shares

The Company Name	:	Excelon Company Limited
Registered Capital	:	Baht 80 million
Percentage of Shareholding	:	100
Type of Business	:	Design, construction, consulting works for buildings and structures
Address	:	170/15 Soi Sammit (Sukhumvit Soi16) Ratchadapisektadmai Road, Klongtoey Subdistrict, Klongtoey District, Bangkok 10110

### History and Significant Developments

- Year 2002
  - Registered the Company in the name of Pylon Company Limited on August 13, 2002 with the initial paid up capital of Baht 5 million to engage primarily in foundation construction business. The Company has employed experienced and skillful engineering staffs to handle foundation works at the recovery from economic crisis.
- Year 2003
  - Performed the first soil cement columns with high-pressured jet grouting in His Majesty The King Bhumipol's Pak Pa Nang Diversion Dam Project in Nakornsrihammarat Province as a subcontractor to Sino-Thai Engineering and Construction Plc (Sino-Thai). From the success in the Pakpanang project, the Company has developed a strong business relationship with Sino-Thai and, as a result, received bored piling works for several projects from Sino-Thai such as The 3<sup>rd</sup> Stage Expressway - Part S1 (Ajarnong-Bangna) Contract No. 2, The Bumrungrad Hospital Parking Building, etc. From those projects, the Company has become well-known in the construction industry for quality of work and exceptional service, and received many bored piling works from other customers.
- Year 2004
  - Increased registered capital to Baht 60 million in January and Baht 95 million in December.
  - Cooperated with Soletanche Bachy, an International Foundation Specialist Company from France, to construct diaphragm walls for The Samlae Water Treatment Plant in Patumthani Province.

- |           |  |
|-----------|--|
| Year 2005 | <ul style="list-style-type: none"> <li>■ Increased registered capital to Baht 115 million in June.</li> <li>■ In June, the Company increased its registered capital from Baht 115 million to Baht 150 million along with splitting par value per share from Baht 10 to Baht 1 to accommodate the initial public offering.</li> <li>■ Registered as the public company on July 20, 2005.</li> <li>■ Registered on the Market for Alternative Investment (mai) Stock Market in December. The first trading day of the Company's shares was December 23, 2005.</li> </ul> |
| Year 2006 | <ul style="list-style-type: none"> <li>■ Relocated the Company's maintenance yard from Saphansoong District to Ladlunmkaew, Patumthani Province in March.</li> </ul>   |
| Year 2008 | <ul style="list-style-type: none"> <li>■ Set up the subsidiary company under the name of Excelon Co., Ltd. in December to provide services for design, construction, consulting and architectural works for buildings/ structures. Its registered capital was Baht 30 million. Pylon held 51% of the total shares.</li> </ul>  |
| Year 2009 | <ul style="list-style-type: none"> <li>■ Increased registered capital to Baht 200 million in April to facilitate the stock dividends</li> </ul>  |
| Year 2012 | <ul style="list-style-type: none"> <li>■ Increased capital to Baht 300 million in May to facilitate the issuance of PYLON-W1 to existing shareholders.</li> <li>■ Excelon increased registered capital to Baht 80 million in December whereas Pylon still held 51% of the total shares.</li> </ul>   |
| Year 2013 | <ul style="list-style-type: none"> <li>■ Increased registered capital to Baht 374.99 million in May to facilitate both the stock dividends and the adjusted exercise ratio of PYLON-W1</li> </ul>  |
| Year 2014 | <ul style="list-style-type: none"> <li>■ Pylon, the only firm from mai, received Asia's 200 best under a Billion Award from Forbes Asia in July.</li> </ul>  |
| Year 2015 | <ul style="list-style-type: none"> <li>■ SET moved PYLON from mai to SET main Board on August 6, 2015.</li> </ul>  |
| Year 2016 | <ul style="list-style-type: none"> <li>■ In January, the Company bought remaining shares of Excelon from the other shareholders. The proportion held by Pylon increased from 51% to 100% of total shares.</li> </ul>   |

## Revenue by Products

The group's revenue can be categorized by products as follows:

### The Group's Revenues

Products	2014		2015		2016	
	Revenue	Percent	Revenue	Percent	Revenue	Percent
Bored Piles	1,021,792	74.38	1,128,805	91.29	934,228	86.71
Ground Improvement	-	-	43,017	3.48	-	-
Diaphragm Wall	-	-	12,489	1.01	121,295	11.26
<b>Total Revenue from Foundation</b>	1,021,792	74.38	1,184,311	95.78	1,055,524	97.96
Revenues from Construction	346,084	25.19	37,001	2.99	7,189	0.67
Other Revenues <sup>1</sup>	5,922	0.43	15,225	1.23	14,746	1.37
<b>Total Revenue</b>	1,373,798	100.00	1,236,537	100.00	1,077,459	100.00

Remark : <sup>1</sup>Revenues from Other Services are the revenues from rental of machines, equipment and tools such as cranes, casing including damage claims received from Subcontractors and others such as interest received, profit from sale of assets, etc.



## Type of Business

### 1. Bored Pile

Bored Piles are usually used as the foundation of large-scale structures especially those located in a limited area where driven piles are not applicable due to transportation and ground vibration problems. Moreover, compared to driven piles, bored piling technique causes no lateral movement of soil underneath that may affect nearby structures, less noise pollution and less ground vibration. The Company offers various sizes of pile ranging from 50 centimeters to 200 centimeters in diameter and deeper than 70 meters depending on the design load and local soil properties.



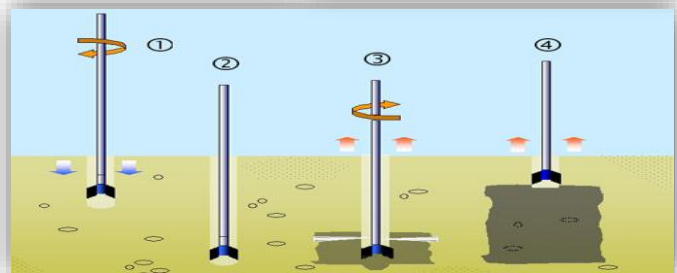
### 2. Ground Improvement by Jet Grouting

The objective of ground improvement is to strengthen the existing soil structure which can lead to the increase of soil bearing capacity and prevention of lateral soil movement. The Company provides this type of service by injecting cement grout at a high pressure between 200 to 400 bars. Type of work can be categorized as follows:

#### 2.1 Soil Cement Column

This type of ground improvement is used to strengthen the soft soil properties throughout their whole layers. The process starts from jetting water downward at high pressure to stir the surrounding soil into the designated shape and size. Once reaching the level of pile tip, cement slurry is injected to

mix with surrounding soil to create the solidified soil cement column that has ability to carry a vertical design load and reduce the settlement of structure above. The soil cement column produced by Jet Grouting has better properties and more homogeneous texture than those produced by other techniques such as low pressure mixing



and rotary dry mixing. At present, soil cement column has been applied to various types of works such as road foundations, airport runways, dams, water gates as well as slope protection of canals or river banks.

## 2.2 Localized soil improvement

This type of work is used to improve strength and properties of soil or rock in a specific area; for example, grouting cracks in rock or soil for dam construction, grouting to improve stability of soil for excavation or drilling purpose in a specific area.

## 3. Diaphragm Wall

Diaphragm wall is an underground reinforced concrete wall constructed to be a load bearing and retaining structure to prevent lateral soil movement. Construction process of diaphragm wall is similar to that of wet-process bored pile. Diaphragm wall can be used not only instead of sheet pile but also as a permanent underground wall with water-resistant and load bearing capacity. Diaphragm wall is generally used as the structure of underground car park, subway station, underpass, etc.



## Industry Overview and Competition

In 2016, the Thai economy improved from last year mainly due to government spending in infrastructure development projects (mass transit, double-track railway, motorway, Suvarnabhumi airport expansion) which were gradually launched. The export sector also had signs of recovery in Q3/2016. However, household spending did not show much improvement. As for the private sector's investment, despite a slowdown in the first half, it has gained momentum during the second half of 2016. The overall Thailand economic growth in 2016 was at 3.2% according to the figure of the National Economic and Social Development Board.

The Company provides construction services related to foundation works with three product lines: bored piling, diaphragm walls, and ground improvements by jet grouting. The foundation industry relies heavily on the construction industry. In 2016, the bored piling industry had a downward trend compared to the previous year. This resulted in higher market competition starting from the beginning of the year. Nevertheless, thanks to the government sector's successful launch of megaprojects since Q3/2016, the bored piling industry started to revive in the second half of the year, leading to lowered market competition.

As for 2017, the government policy to invest in various infrastructure projects, including mass transit, double-track railways, motorways, and Suvarnabhumi airport expansion, should stimulate the private sector's investment in office and condominium buildings. This should provide a positive impact on both the construction industry and the foundation industry. The Company thus expects that the outlook of the domestic economy and the construction industry in 2017 should show gradual improvement with clear signs of growth in the second half of the year.

However, there are still risks related to the government sector's consistency in launching infrastructure construction projects, which could disappoint the expectation in the growth of the national economy and the construction sector.

Major bored piling contractors are ItalThai Trevi Co.,Ltd., Pylon Plc., Seafco Plc., Siam Tone Co.,Ltd., Stand Pile Co.,Ltd., and Thai Bauer Co.,Ltd. The Company should be the second ranking in terms of revenue and production capacities (no.of machines).

## Capital Structure

### Shareholders

The shareholders' list shown on Book of shareholders' registration as of the closing date of the register book on March 21, 2017 is as follows:

No	Name of Shareholders	No. of shares	Percentage
1	Sangarayakul Family*	187,001,773	49.88
2	Thai NVDR Co., Ltd.	31,538,884	8.41
3	FWD Life Insurance PLC.	13,495,900	3.60
4	Mr. Pisun Sirisuksakulchai	7,368,998	1.97
5	Mr. Phadet Hongfah	6,837,800	1.82
6	Mr. Chai Manopas	6,288,000	1.68
7	Thai Life Insurance PLC.	5,778,700	1.54
8	Mr. Suchat Boonbanjerdsri	7,643,000	2.04
9	CIMB Principle Thai Dynamic Income Equity Fund	4,753,900	1.27
10	Mr. Somsak Viriyapiphat	4,347,873	1.16
	Other Shareholders	99,881,870	26.64
	Total	374,936,698	100.00

Remark:

\* Sangarayakul family consists of Mr. Chanet, Mr. Bordin, Mr. Vongchai and Mr. Anon Sangarayakul which held the shares in proportion of 35.005, 8.001, 6.668 and 0.202 respectively.

### DIVIDEND POLICY

The Company has a policy to pay a dividend at a rate of not less than 40% of net earnings after income tax. However, the Company may pay less than the specified rate if the Company has to use the earnings to expand the operation, to invest, or to other objectives according to the approval of the Company's Board of Directors and the re-approval in the shareholders' meeting.

## Management

### Management Structure

As of December 31, 2016 The Company's management structure is shown in the following organization chart



The structure of the Company consists of the Board of Directors and three committees which are the Audit and CG Committee, the Nomination and Remuneration Committee and the Executive and Risk Management Committee. Members of Board of Directors and each committee and the scope of their authorities are as follows:

## The Board of Directors

As of December 31, 2016, The Company's Board of Directors comprises 9 members in which:

- 6 Non-Executive Directors, representing 66.67 percent of the Board of Directors consists of
  - 4 Independent Directors, representing 44.45 percent of the Board of Director who are independent of management and major shareholders.
  - 2 Non – Executive director, representing 22.22 percent of the Board of Directors
- 3 Executive Directors, representing 33.33 percent of the Board of Directors

As of December 31, 2016 The Board of Directors are follows:

Name - Surname	Position
1. Mr. Seri Chintanaseri	Chairman/ Independent Director
2. Dr. Panja Senadisai <sup>1</sup>	Independent Director/ Chairman of the Audit and CG Committee
3. Professor Emeritus Dr. Vinit Chovichien	Independent Director/ Member of the Audit and CG Committee/ Chairman of the Nomination and Remuneration Committee
4. Dr. Chaipat Sahasakul <sup>1</sup>	Independent Director/ Member of the Audit and CG Committee/ Member of the Nomination and Remuneration Committee
5. Mr. Vongchai Sangarayakul	Director/ Member of the Nomination and Remuneration Committee
6. Dr. Chanet Sangarayakul	Director/ Chairman of the Executive and Risk Management Committee
7. Mr. Somsak Viriyapipat	Director/ Member of the Executive and Risk Management Committee
8. Mr. Pisun Sirisuksakulchai	Director/ Member of the Executive and Risk Management Committee
9. Mr. Suchart Boonbanjerd <sup>2</sup>	Director

Company Secretary is Ms.Thitima Tiawprateep

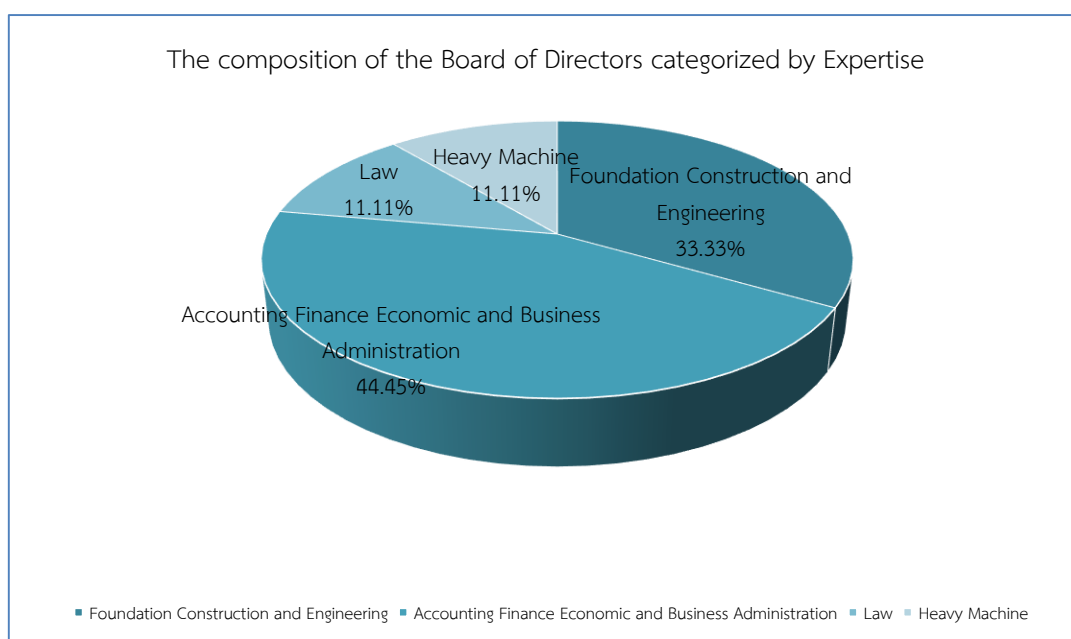
Remark 1. Having knowledge and experience in review of Financial Statements

2. A new director was appointed according to the resolution of the Board of Directors' Meeting No. 2/2016 held on 23 March 2016 to replace Mr. Bordin Saengarayakul who resigned.

Prof. Emeritus Dr. Vinit Chovichien, non-executive director/ independent director, is an expert in structural engineering which is directly related to its business

The Board of Directors consists of members from various professional fields with extensive knowledge, capabilities and experience necessary and beneficial to the Company's business as follows:

Expertise	No.	Percentage
● Foundation Construction and Engineering	3	33.33
● Accounting Finance Economic and Business Administration	4	44.45
● Law	1	11.11
● Heavy Machine	1	11.11
Total	9	100



The Board of Directors have the duty to manage and supervise the Company's operations to ensure compliance with applicable laws, rules, and regulations of the Stock Exchange of Thailand, the Office of the Securities and Exchange Commission, and the Capital Market Supervisory Board, along with the Company's objectives and articles of association. The Board of Directors shall perform duties with responsibility, integrity and prudence.

While the Board of Directors is appointed by shareholders, the Company secretary is appointed by the Board of Directors with the duties to give advice and assistance for the Board of Directors to function in compliance with the laws and regulations, and to work on the Board of Directors's Meetings and the Shareholders' Meetings, as well as to support the good corporate governance.



At the Board of Directors's meeting, Chairman, President and the Company secretary will consider and select the agendas together, making sure that every important issue has been incorporated. Each director has independency to propose meeting agendas.

The Company secretary will disseminate the meeting's agendas to the Board of Directors at least 7 days prior to the meeting. Those documents will provide adequate information for the directors consideration. However, if there is confidential information that cannot be revealed in writing, or if the disclosure of such information would negatively affect the Company, the Board of Directors can bring that issue up for discussion at the meeting.

During the meeting, the Chairman will allocate adequate time for the executives to present the agendas, and for the Board of Directors to discuss important issues thoroughly. The Chairman will also encourage the directors to use their discretion and to pay full attention to every issue brought up to the meeting, especially on corporate governance. Moreover, at the Board of Directors's meeting, high-level executives from each division will be invited to join and present information, problems and details of the issues for the Board of Directors's consideration, which helps create relationship between the directors and the executives. The Board of Directors can also get more information by inquiring from the executives or in the case of inadequacy, asking the Company secretary to provide more information.

Minutes of Board of Directors's meeting consist of key components such as date and time of the meeting (commencement and adjournment), name list of the directors present and absent, summary of the proposed agendas, summary of the discussions and observations, the meeting resolution and comments from those who disagreed. The Company compiles minutes of the meetings in hard copies for easy access but non-amendable. The directors attendance is recorded and revealed. The Board of Directors's meetings are scheduled to be held quarterly, while the Executive and Risk Management Committee's meetings are held regularly. The results from the Executive and Risk Management Committee's meeting will be presented to the Board of Directors.

### Authority to sign on behalf of the Company as of December 31, 2016

Mr. Chanet Sangarayakul and Mr. Vongchai Sangarayakul are authorized to jointly sign their names together with the Company's seal affixed to enter into bond on the Company's behalf. Otherwise, one of the aforementioned directors may jointly sign his name with either Mr. Somsak Viriyapipat or Mr. Pisun Sirisuksakulchai together with the Company's seal affixed to enter into bond on the Company's behalf.

### Chairman

#### Roles and Responsibilities of Chairman

1. To chair the Board of Directors' and the shareholders' meetings to ensure successful conduct;
2. To guide the Board of Directors' meetings towards effective and productive results by encouraging every member to fully participate;
3. To cast the deciding vote in the case of a tie vote;

4. To hold responsibility as leader of the Board in monitoring, tracking and supervising the work of the Executive and Risk Management Committee and other committees in order to achieve the objectives as planned.

In 2016, the Board was of the view that the Chairman had done excellent job in leading the meetings and encouraging the members to give their opinions extensively.

In addition, each director must report the shareholding of him/herself and his/her spouse and minor child(ren) in Pylon Public Company Limited to the Board of Directors' meeting after he/she has been elected as the director. After that, if the director and his/her spouse and minor child(ren) have entered into any trading transactions of shares in Pylon Public Company Limited; they shall report such transactions to the Board of Directors at its next meeting. The shareholding details as at 31 December 2016 were as follows

Change in Pylon shares held by the Directors and Executives as of December 31, 2016

Name		No. of shares				
		As of January 1, 2016		Increase/ Decrease (Jan1, 2016 - Dec 31, 2016)	As of December 31, 2016	
		ownership	Spouse/ Minor Child		ownership	Spouse/ Minor Child
1	Mr.Seri Chintanaseri Chairman of the Board of Directors Independent Director	1,986,623	-	-	1,986,623	-
2	Dr.Panja Senadisai Independent Director	-	-	-	-	-
3	Professor Emeritus Dr. Vinit Chovichien Independent Director	-	-	-	-	-
4	Dr.Chaipat Sahasakul Independent Director	-	1,249,998	-	-	1,249,998
5	Mr.Vongchai Sangarayakul Director	26,375,000	-	-	26,375,000	-
6	Dr.Chanet Sangarayakul Director / President	139,495,066	-	-	139,495,066	-
7	Mr.Somsak Viriyapipat Director/ Senior Executive Vice President-Equipment & Facilities	4,347,873	-	-	4,347,873	-
8	Mr.Pisun Sirisuksakulchai Director/ Senior Executive Vice President-Engineering&Marketing	7,368,998	-	-	7,368,998	-
9	Mr.Suchart Boonbanjerd <sup>sri1</sup> Director	7,643,000	-	-	7,643,000	-

Name		No. of shares				
		As of January 1, 2016		Increase/ Decrease (Jan1, 2016 - Dec 31, 2016)	As of December 31, 2016	
		ownership	Spouse/ Minor Child		ownership	Spouse/ Minor Child
10	Mr. Bordin Sangarayakul Senior Executive Vice President Finance & Management	31,375,000	-	-	31,375,000	-
11	Mr.Chaiyaphol Sutthamanuswong Executive Vice President-Accounting and Finance	-	-	-	-	-
12	Mr.Veeratas Chiradechvirot Executive Vice President-Management	-	-	-	-	-
13	Mrs.Sureerat Nakaphadungrat Vice President-Accounting	-	-	-	-	-
14	Mr.Korn Thongsri Vice President-Human Resource	-	-	-	-	-
15	Mr.Ratthakorn Nakachai Vice President-Construction	-	-	-	-	-

Remark: 1. A new director was appointed according to the resolution of the Board of Directors' Meeting No. 2/2016 held on 23 March 2016 to replace Mr. Bordin Sangarayakul who resigned on 29 February 2016. The number of shares at the beginning of the period was as of 23 March 2016.

### Scope of Authorities of the Company's Board of Directors

The Board of Directors shall have authority to approve corporate matters according to its scope of duties and responsibilities to supervise and ensure that the Company complies with applicable laws, objectives, and articles of association as well as legal resolutions of shareholders' meetings. Also, the Board of Directors shall determine, review and approve visions, goals (in alignment with missions), strategies, and directions of operations each year. The Board of Directors shall monitor corporate performance to meet specified plans based on the principles of integrity and prioritizing corporate interests. There shall be a clear segregation of duties between the Board of Directors and the management team. The Board of Director's approval authority, duties and responsibilities shall be determined. as follow;

1. To arrange the annual general shareholders' meeting within four months after the date ending the Company's fiscal year.
2. To arrange the Board of Directors' meeting at least once every quarter.
3. To prepare the Company's balance sheet and income statement that would be audited by the external auditor and submitted to the shareholders' meeting for consideration and approval.

4. The Board of Directors may delegate authorities to one or more Directors or other persons to perform any duties on its behalf under its supervision. The Board of Directors may assign them with specific authorities and durations as deemed appropriate and reserve the right to change or revoke those authorities given.

The Board of Directors may delegate authorities to the Executive and Risk Management Committee to perform any tasks in accordance with the extent of its prescribed authorities. The assigned authorities, however, must not give the Executive and Risk Management Committee the opportunity to consider and approve any transactions that he/she or other persons may have interests or conflict of interests of any nature with the Company or Subsidiary except the transactions that comply with the policy and criteria that are already considered and approved by the Board of Directors.

5. To set goal, direction, policy, plan, and budget of the Company as well as monitor and supervise the administration and management of the Executive and Risk Management Committee so that it complies with the prescribed policy except for the matters required by law to be approved by the resolution of the shareholders' meeting. These matters are such as acquisition and disposition of the capital, issuance of the Company's debenture, sale or transfer of ownership of the Company or a significant part thereof to another individual, purchase or transfer of business from other companies, and amendment of memorandum of association or Article of Association, etc. The Board of Directors' duty is also to supervise the Company so that its business operation complies with the Securities and Securities Exchange Act and the Stock Exchange of Thailand's regulations such as the matter of related party transactions and the sale and purchase of core assets in accordance with the regulations of the Stock Exchange of Thailand or other laws relevant to the Company's business.
6. To consider the structure of management as well as the appointments of the Executive and Risk Management Committee, President, and other committees as deemed appropriate.
7. To monitor the Company's operating performance to continually comply with the prescribed plan and budget.
8. The Director is prohibited from doing business, being partner of the ordinary partnership, being partner with unlimited liabilities of the limited partnership, or being Director of the private company or other companies which conduct business of the same nature and directly compete with the Company. These matters are prohibited whether doing for his/her or other person interests unless the Director notifies the shareholders' meeting prior to the resolution for his/her appointment.
9. The Director must promptly inform the Company about their direct or indirect personal interest in contracts executed by the Company including debentures and shareholding status, whether increase or decrease, in the Company or its affiliates.

## Audit and CG Committee

### Composition and Criteria for Selection of the Audit and CG Committee

The Company shall appoint the Audit and CG Committee which consists of at least three independent directors. At least one director must have knowledge or experience in accounting or finance, and have

consistent knowledge of events affecting the changes in the Company's financial report in order to increase the efficiency of the Audit and CG Committee. The Audit and CG Committee shall hold office on a three-year term.

When the term of service expires or there is any circumstance causing any member to be unable to hold office until expiration, thus making the number of committee members to be lower than three persons, the Board of Directors or the shareholders' meeting should appoint the new member to fill up the vacancy immediately or not later than three months from the date of vacancy to ensure the continual performance of the Audit and CG Committee.

As of December 31, 2016 the Audit and CG Committee are as follows:

Name - Surname	Position
1. Dr. Panja Senadisai	Chairman of the Audit and CG Committee / Independent Director
2. Dr. Chaipat Sahasakul	Member of the Audit and CG Committee / Independent Director
3. Professor Emeritus Dr. Vinit Chovichien	Member of the Audit and CG Committee / Independent Director

Remark : Secretary to the Audit and CG Committee is Ms. Thitima Tiawprateep

Dr. Panja Senadisai and Dr. Chaipat Sahasakul are members of the Company's Audit and CG Committee. They have more than 30 years and 20 years of experiences respectively in the revision of financial reports of the Company with accuracy and adequacy.

### Scope of Authorities of the Audit and CG Committee

1. To review the Company's financial reporting process to ensure that it is accurate and adequate;
2. To review the Company's internal control system and internal audit system to ensure that they are suitable and efficient as well as to determine an internal audit unit's independence;
3. To review the Company's compliance with the law on securities and exchange, the Exchange's regulations, and the laws relating to the Company's business;
4. To propose for an appointment, re-appointment, and termination of contract of external auditors, as well as offering their remuneration;
5. To approve the appointment, transfer and dismissal of the chief of an internal audit unit or any other unit in charge of an internal audit;
6. To review the connected transactions, or the transactions that may lead to conflicts of interest, to ensure that they are in compliance with the laws and the Exchange's regulations and are reasonable for the highest benefits of the Company.

7. To review the Charter of the Audit and CG Committee at least once a year and propose to the Board of Directors for consideration;
8. To carry out any other tasks as assigned by the Board of Directors and approved by the Audit and CG Committee;
9. To prepare and disclose in the Company's annual report, the Audit and CG committee's report which must be signed by the Chairman of the Audit and CG Committee and consist of the following information required by the Stock Exchange of Thailand;
  - (a) an opinion on the accuracy, completeness and creditability of the Company's financial report,
  - (b) an opinion on the adequacy of the Company's internal control system,
  - (c) an opinion on the compliance with the law on securities and exchange, the Exchange's regulations, or the laws relating to the Company's business,
  - (d) an opinion on the suitability of an auditor,
  - (e) an opinion on the transactions that may lead to conflicts of interest,
  - (f) the number of the Audit and CG Committee meetings and the attendance of such meetings by each committee member,
  - (g) an opinion or overview comment received by the Audit and CG committee from its performance of duties in accordance with charter, and
  - (h) other transactions which, according to the Audit and CG committee's opinion, should be known to the shareholders and general investors, subject to the scope of duties and responsibilities assigned by the Company's Board of Directors;
10. To monitor and control Company's compliance with good corporate governance principles.
11. To report the results of the Audit and CG Committee's work to the Board of Directors regularly at least once every quarter.

## The Nomination and Remuneration Committee

### Composition and Criteria for Selection of the Nomination and Remuneration Committee

The Company shall appoint the Nomination and Remuneration Committee which consists of not less than 3 members. At least half of the members, including the Chairman of the Nomination and Remuneration Committee, must be the independent directors. The Nomination and Remuneration Committee shall hold office on a three-year term.

In case of vacancy because of completion of term, or for other reasons than completion of term, the Board of Directors shall appoint a qualified person as a replacement member within 90 days to ensure that the composition of the Nomination and Remuneration Committee complies with the requirement of the Board of Directors.

As of December 31, 2016 the Nomination and Remuneration Committee are as follows:

Name - Surname	Position
1. Professor Emeritus Dr. Vinit Chovichien	Chairman of the Nomination and Remuneration Committee / Independent Director
2. Dr. Chaipat Sahasakul	Member of the Nomination and Remuneration Committee / Independent Director
3. Mr. Vongchai Sangarayakul	Member of the Nomination and Remuneration Committee

Remark : Secretary to the Nomination and Remuneration Committee is Mr. Korn Thongsri.

### Scope of Authorities of the Nomination and Remuneration Committee

- To determine the Structure of the Board of Directors including additional committees commensurated with the nature and size of business and qualifications of each director in terms of knowledge, skill, experience, specific capabilities which are beneficial to the Company.
- To select and submit the names of the knowledgeable and experienced candidates who are suitable for the Company to be appointed as the directors and the president in case of vacancy for consideration and approval of the Board of Directors or at the shareholders' meeting as the case may be.
- To select the Company's representative for positions in subsidiary and/or associated companies.
- To determine the suitable remuneration structure of the directors and the president such as monthly remuneration, gratuity, bonus, welfare, meeting allowance and other cash and non-cash fringe benefits.
- To set up the criteria for the president's assessment and present to the Board of Directors for consideration and approval.
- To consider the terms and conditions in case of new securities (or warrants) offered to directors and employees (ESOP) as well as to consider and endorse in case that securities are allotted to any director or any employee more than 5 % of the total securities to be allotted. The Nomination and Remuneration Committee will be eligible to have such endorsement upon the condition that none of the Nomination and Remuneration Committee's members is granted the security allotment of more than 5%.
- The Nomination and Remuneration Committee is a committee appointed by the Board of Directors for a purpose of studying and reviewing the assignments. Hence, the Nomination and Remuneration Committee is routinely requested to report its activities to the Board of Directors' meeting subsequent to its meeting and report its performance in the past year to shareholders in the Company's annual report and the annual general meeting of shareholders.
- To perform any other tasks, as assigned by the Board of Directors, in relation to nomination and remuneration.



### The Executive and Risk Management Committee

The Board of Directors shall appoint a number of suitable persons to be members of the Executive and Risk Management Committee.

As of December 31, 2016 the Executive and Risk Management Committee are as follows:

Name - Surname	Position
1. Dr. Chanet Sangarayakul	Chairman of the Executive and Risk Management Committee
2. Mr. Somsak Viriyapipat	Member of the Executive and Risk Management Committee
3. Mr. Pisun Sirisuksakulchai	Member of the Executive and Risk Management Committee

### Scope of Authorities of the Executive and Risk Management Committee

Duties and responsibilities of the Executive and Risk Management Committee are to administer the Company's usual business practice and management. Its duties and responsibilities are also to set and submit to the Board of Directors' meeting for consideration and approval and/or endorsement the policies, business plans, budget, management structure, risk management and power of management authorities, as well as the criteria in conducting the Company's business that complies with the economic environment. The Executive and Risk Management Committee shall investigate and monitor the Company's performance to ensure the compliance with the prescribed policies. Major duties and responsibilities of the Executive and Risk Management Committee are as follows:

1. To set policy, direction, strategy, and core management structure regarding the Company's business conduct and submit to the Board of Directors for approval.
2. To set business plan, budget, and management authorities and submit to the Board of Directors for approval.
3. To consider the Company's investment project and submit to the Board of Directors for approval.
4. To approve important investment expenditures prescribed in the annual budget as assigned by the Board of Directors or investment expenditures that are already approved in principle by the Board of Directors.
5. To approve procurement or hiring contracts for the office management task in the amount not exceeding Baht 20 million per transaction.
6. To negotiate and sign contracts, agreements, and documents for any construction project worth not exceeding Baht 300 million for private sector and Baht 400 - 500 million for public sector (Baht 400 million in case of sub contracting and Baht 500 million in case of main contracting) including the procurement or hiring of those projects that are normal business practices of the Company.
7. To act as the management's advisory committee in the matter of financial policy, marketing, operation and other administrative duties.

8. To approve the opening or closing of the bank deposit account, to specify the authorized person who shall withdraw money from the Company's account, as well as to handle the matters concerning the bank deposit account.
9. To manage potential risks in the Company.
10. To conduct any necessary operations to support and protect the Company's benefits.

According to the regulations of the Securities and Securities Exchange Commission and the Stock Exchange of Thailand, the authorities of the Executive and Risk Management Committee shall not include the approval of transactions that member of the Executive and Risk Management Committee or other persons may have interests or conflict of interests of any nature with the Company or its subsidiaries (if any). These transactions must be submitted to the Board of Directors' meeting and/or the shareholders' meeting for consideration and approval as specified by the Company's regulations and other related laws unless it is the approval of transactions that are the nature of the Company's normal business practices and the framework for consideration is clearly set by the Board of Directors.

### Management Team

As of December 31, 2016 Management Team are as follows:

	Name - Surname	Position
1.	Dr. Chanet Sangarayakul	President
2.	Mr. Bordin Sangarayakul	Senior Executive Vice President - Finance & Management
3.	Mr. Pisun Sirisuksakulchai	Senior Executive Vice President – Engineering & Marketing
4.	Mr. Somsak Viriyapipat	Senior Executive Vice President - Equipments & Facilities
5.	Mr. Veeratas Chiradechviro	Executive Vice President - Management
6.	Mr. Chaiyaphol Sutthamanuswong	Executive Vice president - Accounting and Finance
7.	Mrs. Sureerat Nakaphadungrat	Vice President - Accounting
8.	Mr. Korn Thongsri	Vice President - Human Resource
9.	Mr. Ratthakorn Nakachai	Vice President - Construction

### Scope of Authorities of the President

1. To take responsibilities on daily routine management as well as control and supervise staffs and employees of the Company.
2. To conduct or operate the Company's business in compliance with the policy, plan, and budget approved by the Board of Directors and/or the Executive and Risk Management Committee.

3. To manage, on behalf of the Company, the Company's business to fully comply with the prescribed objectives, regulations, policies, rules, orders as well as the resolutions of the shareholders' meeting and/or the resolutions of the Board of Directors' meeting and/or the resolutions of the Executive and Risk Management Committee's meeting.
4. To approve procurement or hiring contracts for the office management tasks in the amount not exceeding Baht 5 million per transaction.
5. To negotiate and sign contracts, agreements, and documents for any construction project worth not exceeding Baht 200 million including the procurement or hiring of those projects that are normal business practices of the Company.
6. To hire and determine the remunerations of all the Company's employees as well as to appoint the employer's representative in the Provident Fund Committee.

However, according to the regulations of the Securities and Securities Exchange Commission and the Stock Exchange of Thailand, the authorities of the President shall not include the approval of transactions that he/she or other persons may have interests or conflict of interests of any nature with the Company or its subsidiaries. These transactions must be submitted to the Board of Directors' meeting and/or the shareholders' meeting for consideration and approval as specified by the Company's regulations and other related laws unless it is the approval of transactions that are the nature of the Company's normal business practices and the framework for consideration is clearly set by the Board of Directors.

## The Selection of Directors and Executives

### Nomination of Independent Directors

#### Composition and Criteria for the Nomination of Independent Directors

The Company has determined the composition of the Board of Directors in compliance with the criteria set by the Securities and Exchange Commission of Thailand, that is to have Independent Directors at least one-third of the directors and not less than three. The criteria of the nomination are in line with the definition of independent directors, which is stricter than the requirements of the Securities and Exchange Commission. This also complies with the announcement of the Capital Market Supervisory Board regarding the request for permission and the permission to offer newly issued shares. The criteria for the nomination are as follows:

#### Definition of Independent Director

Independent Director is defined by the Company's Board of Directors as follows:

1. Holding shares not exceeding 1 percent of the total shares with voting rights of its parent company, its subsidiary, its associated company or potential conflicting juristic person (provided that any shares held by his or her related person as stipulated in section 258 of securities laws (No.4) 2008 must be taken into account).
2. Not being (at present) nor having been (2 years prior to appointment) an executive director (including the director who has the same responsibility as management and authorized director except for the signature in transactions approved by the Board of Directors and joint

signing with other directors), employee, officer, monthly paid advisor or controlling person of the Company, its parent company, its subsidiary, its associated company, its parallel subsidiary (subsidiary of the same holding company) or potential conflicting juristic person.

3. Not being a person related by blood or by registration under laws such as father, mother, spouse, sibling and child, including spouse of child of executive, major shareholder, controlling person or such other persons who will be nominated to take up the position of executive or controlling person of the Company or its subsidiary.
4. Not having (at present) nor having had (2 years prior to appointment) a business relationship with the Company, its parent company, its subsidiary, its associated company or potential conflicting juristic person that might interfere his or her use of independent discretion, including not being (at present) nor having been (2 years prior to appointment) a major shareholder, a director who is not an independent director, or an executive of a company that has a business relationship with the Company, its parent company, its subsidiary, its associated company or potential conflicting juristic person with transaction value equal to or more than 3 percent of net tangible assets (NTA) of the Company; or equal to or more than Baht 20 million, whichever is lower. The calculation of such transaction value must include the transaction incurred during 1 year prior to the date entering into the business relationship with the same person. The aforementioned business relationship includes any trading transaction in the ordinary course of business, taking or granting a lease of real property, any transaction relating to assets or services, and granting or acceptance of financial assistance.
5. Not being (at present) nor having been (3 years prior to appointment) an auditor of the Company, its parent company, its subsidiary, its associated company or potential conflicting juristic person as well as not being a major shareholder, a director who is not an independent director, an executive, or a managing partner of the auditing firm employing an auditor of the Company, its parent company, its subsidiary, its associated company or potential conflicting juristic person.
6. Not being (at present) nor having been (2 years prior to appointment) any professional service providers, including a legal advisor or a financial advisor, obtaining service fees of more than Baht two million per annum from the Company, its parent company, its subsidiary, its associated company or potential conflicting juristic person. If a professional service provider is a juristic person, this will include a major shareholder, a director who is not an independent director, an executive or a managing partner of such professional service provider.
7. Not being a director appointed to represent any director of the Company, a major shareholder or a shareholder who is a related person to the Company's major shareholder.
8. Not having any other characteristic which makes him or her incapable of expressing an independent opinion with regard to the Company's operation.

The selection process is the same as that of the Company's New Directors and the Top Executive explained in the next part.

**Composition and Criteria for Selection of the New Company's Directors and the Top Executive.****Criteria for nomination, appointment and dismissal or termination of members of the Board**

In selecting and appointing a new director including the president, the Nomination and Remuneration Committee shall consider any person meeting the qualifications to be a director, regardless of whether such director is a shareholder's representative or an independent director. In searching for a new director, a professional search firm or director pool may be utilized to find a candidate before submitting the nominee to the Board of Directors for consideration, endorsement and submission to the shareholders' meeting for approval. The criteria for selecting a new director are as follows:

1. Business knowledge and skills, ability and experiences necessary for and agreeable to the Company strategies, in order to strengthen the Board in overseeing the Company;
2. Qualifications as required by law and announcements of the Stock Exchange of Thailand and the Securities and Exchange Commission of Thailand, as well as the Company's regulations;
3. Transparent and ethical working history, with high morality, responsibility, maturity and professionalism;
4. No sexual bias

Composition and selection, appointment, dismissal or termination from the position of the Company's Director is prescribed in the Company's article of association which can be concluded as follows.

The Company's Board of Directors comprises at least 5 members and not less than half of the Directors must reside in Thailand. All Directors must meet the qualification required by law.

At every annual general meeting, one-third of the Directors, or if the number is not a multiple of three, then the number nearest to one-third shall retire from the office. The Directors retiring on the first and second year after the registration of the Company shall be drawn by lots. In every subsequent year, the directors who have been longest in office shall retire. Directors whose terms expire may be re-elected.

The annual meeting of shareholders shall elect members of the Board of Directors in accordance with the following criteria and procedures.

1. Each shareholder shall have one vote for each share he/she holds.
2. Each shareholder shall exercise all votes in electing one or more persons to be Directors, provided that a vote shall not be divisible.
3. Persons who receive the highest votes are, in descending order, elected to the Board of Directors until the required number is met. In the case that two or more candidates have an equality of votes but exceed the number of Directors which the meeting of shareholders is to appoint, the presiding Chairman will cast the deciding vote.

In case of vacancy due to reasons other than expiry of service terms, the Board of Directors shall choose any person who is qualified and not subject to prohibition by law as a replacement director at the next meeting of the Board of Directors, except in the case that the remaining term of office of such director is less than two months.

The replacement director shall hold the office only for the remaining term of the director whom he/she replaces. The resolution of the Board of Directors must be passed by votes of not less than three-fourth of the number of the remaining directors.

The meeting of shareholders may pass a resolution to dismiss the director before the expiration of his/her service term with the votes of at least three-fourth of the number of attendant shareholders entitled to vote and at least one half of shares held by the attendant shareholders entitled to vote.

### Remuneration of Directors and Executives.

The Company has issued a clear policy and criteria for remuneration on the basis of transparency, accountability and at appropriate and satisfying level, in order to attract the high-quality Board members and keep them on continuing their good services. The remuneration rates are compatible to the levels practiced in the business, in accordance with their experiences, positions, accountability and responsibilities, as well as the gains that the Company will retrieve from each Board member. The remuneration can be divided into three parts, as follow:

1. Monthly remuneration that reflects the responsibilities as the Board member;
2. Meeting allowance that shows the importance and the time devoted to the Company's meetings;
3. Annual bonus which is a special remuneration given to the Board members for their shareholder value added.

It is the job of the Nomination and Remuneration Committee to set up a preliminary level of remuneration to be presented to the Board of Directors, before submitting it to the Annual General Meeting of Shareholders.

the AGM considered and approved the remuneration of the Company's directors for year 2016 as of April 22, 2016 as follows:

#### 1. Monthly remuneration

	2015	2016
	(Baht per month)	(Baht per month)
- Chairman of the Board of Directors	50,000	50,000
- Chairman of the Audit and CG Committee	25,000	25,000
- Director	21,000	21,000

Remark: The directors who are executives of the Company shall not be entitled to receive this monthly remuneration.

## 2. Meeting allowance

	2015	2016
	(Baht per meeting)	(Baht per meeting)
- Director	5,000	5,000
- Audit and CG Committee member	5,000	5,000
- Nomination and Remuneration Committee member	5,000	5,000

## 3. Bonus: not exceeding Baht 3,000,000 to be allocated by the Board of Directors.

In conclusion, non-executive committee remuneration structure includes 1, 2, and 3. However, executive committee remuneration structure includes only 2 and 3.

## Directors' Remuneration in 2016

Name - Surname	Year 2016 Remuneration					
	Monthly Remuneration	Meeting Fee			Bonus	Total
		Board of Director	Audit and CG Committee	Nomination and Remuneration Committee		
1. Mr. Seri Chintanaseri	600,000	40,000			571,429	1,211,429
2. Dr. Panja Senadisai	300,000	40,000	25,000		285,714	650,714
3. Dr. Chaipat Sahasakul	252,000	40,000	25,000	20,000	285,714	622,714
4. Professor Emeritus Dr. Vinit Chovichien	252,000	40,000	25,000	20,000	285,714	622,714
5. Mr. Vongchai Sangarayakul	252,000	35,000		20,000	250,000	557,000
6. Dr. Chanet Sangarayakul		40,000			285,714	325,714
7. Mr. Bordin Sangarayakul		5,000			35,715	40,715
8. Mr. Somsak Viriyapipat		35,000			250,000	285,000
9. Mr. Pisun Sirisuksakulchai		40,000			285,714	325,714
10. Mr. Suchart Boonbanjerd Sri	189,000	30,000			214,286	433,286
<b>Total</b>	<b>1,845,000</b>	<b>345,000</b>	<b>75,000</b>	<b>60,000</b>	<b>2,750,000</b>	<b>5,075,000</b>



### Executives' Remuneration

Executives receive remuneration including salaries, bonuses and other benefits which are directly based on both corporate and personal KPI-based performance. In 2016 the total remuneration for executives was as follows :

Position	Year 2015			Year 2016		
	No. (Persons)	Total Amount (Million Baht)	Details of Remuneration	No. (Persons)	Total Amount (Million Baht)	Details of Remuneration
Executive Committee and Management	10	16.199	Salary, Bonus, Social Security Fund and Provident Fund Contributions	9	16.070	Salary, Bonus, Social Security Fund and Provident Fund Contributions

### Other Remuneration

None

## Number of Meeting Attendance

Name - Surname	Position in The Company's Board of Directors	Year 2016		
		Board of Directors (8 Times)	Audit and CG Committee (5 Times)	Nomination and Remuneration Committee (4 Times)
1. Mr. Seri Chintanaseri	Chairman of the Board of Directors/ Independent Director	8/8		
2. Dr. Panja Senadisai	Independent Director/ Chairman of the Audit and CG Committee	8/8	5/5	
3. Professor Emeritus Dr. Vinit Chovichien	Independent Director/ Chairman of the Nomination and Remuneration Committee/ Member of the Audit and CG Committee	8/8	5/5	4/4
4. Dr. Chaipat Sahasakul	Independent Director/ Member of the Audit and CG Committee/ Member of the Nomination and Remuneration Committee	8/8	5/5	4/4
5. Mr. Vongchai Sangarayakul	Director/ Member of the Nomination and Remuneration Committee	7/8		4/4
6. Dr. Chanet Sangarayakul	Director/ Chairman of the Executive and Risk Management Committee	8/8		
7. Mr. Bordin Sangarayakul	Director/ Member of the Executive Risk Management Committee	1/1		
8. Mr. Somsak Viriyapipat	Director/ Member of the Executive Risk Management Committee	7/8		
9. Mr. Pisun Sirisuksakulchai	Director/ Member of the Executive Risk Management Committee	8/8		
10. Mr. Suchart Boonbunjersri <sup>1</sup>	Director	6/6		

Remark 1. A new director was appointed according to the resolution of the Board of Directors' Meeting No. 2/2016 held on 23 March 2016 to replace Mr. Bordin Sangarayakul who resigned.

## Corporate Governance

Corporate Governance, as defined by the Stock Exchange of Thailand (SET), is a set of structures and processes of the relationships between a company's board of directors, its management and its shareholders to develop the company's competitiveness, growth and shareholder value in long term while taking into account the interests of other company's stakeholders. The Board of Directors has conducted business in accordance with the concepts of good corporate governance as defined by the Principles of Good Corporate Governance and the regulations specified by the Securities Exchange Commission (SEC) in order to promote the Company's management efficiency and to serve as a basis for sustainable business development, which are presented in 5 categories as follows:

1. Rights of Shareholders
2. Equitable Treatment of Shareholders
3. Role of Stakeholders
4. Disclosure and Transparency
5. Responsibilities of the Board of Directors

### Chapter 1 and 2 - Rights and Equitable Treatment of Shareholders

The Company must recognize shareholders' rights and ensure equitable treatment to all shareholders in respect of both statutory rights, such as the right to attend and vote in shareholders' meetings, the right to approve dividend payment and the right to specify remuneration for directors; and non-statutory rights such as disclosure of information and news to shareholders via the Company's website.

With regard to shareholders' meetings, all shareholders are allowed to propose the meeting agendas and the names of candidate directors to the Company in advance from beginning of December prior to the Company's Annual General Meeting of Shareholders. Additionally, the Board of Directors has set various criteria such as the shareholding percentage of those proposing candidate directors, support data for consideration, various channels for submission of information and the submission deadline. Relevant information will be published through the channel of the SET and details of the said criteria are also available on the Company's website. The Company's meeting invitation contains supporting information for each agenda and various proxy forms as well as a list of independent directors in case any shareholders are unable to attend the meeting but would like to assign proxy to attend the meeting on their behalf. The Company has posted the meeting invitation and related attachments in both Thai and English via its website in advance of the meeting so that shareholders can study all information prior to receiving the invitation.

At the Annual General Meeting of Shareholders, all members of the Board of Directors shall attend the meeting unless having inevitable matter. In 2016, all Board members attended the meeting and the meeting Chair, who is also Chairman of the Board of Directors, informed all the attendees about regulations governing the meeting, enabled the shareholders to use their right to elect each individual director, as well as allowed the shareholders to express their opinions and pose any inquiries relating to the meeting or the Company.

Furthermore, the Company has encouraged the shareholders to send their questions to the Company in advance via the Company's email.

Additionally, the Company will not immediately disseminate additional important documents during The Annual General Meeting of shareholders, not add any agendas or change the important information without notifying the shareholders in advance and not deprive of shareholders rights, (Any Shareholders who are late for the Meeting still have the rights to attend and vote on the next agendas).

After the Company's Annual General Meeting of Shareholders, the meeting minutes shall be prepared for dissemination through the Company's website within 14 days.

With regards to control of usage of internal information, the Board of Directors has a policy to prevent directors, executives, and employees from using internal information they may acquire through their status for their own or other persons' benefits. Details of this policy are presented under the section "Supervision of Inside Information Usage". In addition, the Company has prescribed measures and procedures on the approval of connected transactions between the Company and its stakeholders or relevant parties to ensure that the directors who have conflicts of interest or participated in such transactions do not have the right to vote in the decision making process.

### Chapter 3 - Role of Stakeholders

The Company realizes the importance and gives due care to all groups of stakeholders both inside and outside the Company, such as the shareholders, employees, customers, suppliers and competitors with respect to their legal rights, as well as undertakes responsibility for the society and the public. The Board of Directors therefore stipulates a code of business ethics as guidelines for the Board of Directors, the management team and employees in their operations. It is the duty and responsibility of everyone to comply with this code. The synopsis is as follows:

#### Employees

The Company realizes that every employee is an important resource of the Company and a key success factor to achieve the Company's goals. The Company, therefore, ensures that they all receive equitable treatment in respect of opportunity, compensation and development of their ability.

The Company adheres to the following remuneration principles:

1. To treat the employees with respect for their honour, dignity and personal rights;
2. To maintain the working environment for the safety of lives and personal properties of the employees;
3. To promote, reassign, take disciplinary action against and give reward to employees on the basis of their knowledge, performances, eligibility and good faith;
4. To place importance on the development of employees' competency through various activities such as seminars, training, etc.;
5. To adhere to fair employee compensation and welfare policies which are consistent with the Company's short-term performance, relating to market conditions, business competition, nature of

work, employee performance and Company's profitability etc. In the long term, it will include the performance measurement in accordance with Balance Scorecard, etc.;

6. To listen to employees' opinions and suggestions based on their knowledge and skills.

In 2016, there was no legal dispute or complaint between the Company and employees.

#### Customers

The Company stresses the importance of customer satisfaction and confidence. Thus, the Company makes a policy to treat our customers as follows:

1. To provide high quality product and services at reasonable prices;
2. To give true and correct information to customers without exaggeration that may mislead about the quality, quantity or conditions of those services;
3. To maximize customers' benefits with integrity and honesty, including giving beneficial advice to the customers;
4. Not to claim or receive any benefits from the customers by abuse of the employee's position;
5. Not to use the customers' information for personal interests.

In 2016, there was no legal dispute or complaint between the Company and customers.

#### Creditors

The Board of Directors has defined the policy about fair treatment and responsibilities towards the creditors, especially for the terms of guarantee, capital management and delinquency. For examples, as regards the capital management, it is the Company policy to maintain high current ratio and appropriate debt to equity ratio. This means the Company's ability to pay debts to its creditors and suppliers continuously and punctually. As for the terms of guarantee, the policy is not to let the guarantor become affected and to be responsible should any problems arise. Regarding the delinquency, the Company will find an expedient solution to the problems in order to pay off the debts to the creditors.

In 2016, the Company fulfilled the creditors' terms and conditions without any debt default incident.

#### Suppliers

The Company treats its suppliers equally and fairly based on mutual benefits as suppliers are the major factor in the Company's accomplishments. The Company's principles are as follows:

1. The procurement of goods and services must be systematic and up to standards under the following rules:
  - A competition on equal information;
  - Having criterias for suppliers assessment and selection;
  - A preparation of appropriate and fair contract;
  - Having a monitoring system to ensure the full compliance with the contract conditions, and also to prevent fraud or misconduct in every step of procurement;
  - A punctual payment to suppliers in accordance with the mutually agreed terms and conditions.

2. Developing and maintaining a sustainable relationship with suppliers and contract counterparties through mutual trust without false advertising or misleading.

In 2016, there was no legal dispute or complaint between the Company and suppliers.

#### Competitors

The Company competes fairly with all business competitors under the justified framework as follow:

1. Not to seek confidential data of its competitors by dishonest or inappropriate methods;
2. Not to damage the reputation of its competitors by making false accusation;
3. Not to violate the intellectual property of any individual or competitors.

In 2016, there was no legal dispute or complaint between the Company and its competitors.

#### Social and Public Responsibility

The Company emphasizes the importance of the social and public responsibility through its compliance with laws and related regulations, management of environment issues, and adoption of safety measures for business operations. With regards to environment, the Company has determined measures to reduce environmental impact at the job sites and the maintenance yard. Furthermore, the Company has promoted the resources and energy saving campaign among employees through reduction in use of electricity, water, and especially fuel. Our survey shows that the fuel has been used in a more efficient manner.

The Company held an activity called the “Good Deeds of Pylon Family for Children of Rajvithi Home for Girls” on 10 December 2016. The Rajvithi Home for Girls was established in order to provide assistance and development for orphans and disadvantaged children (lacking guardians, being abandoned, living with poverty, being raised inappropriately, living in broken family, being sexually exploited, or with parents serving jail term, etc.). For girls from 5-18 years old, the institute promotes their higher education in both high school and vocational systems according to their capabilities and skills. This is to help each of them become able to make a living, support oneself, and remain in harmony with society. Children and youths experiencing family and social problems will receive development in terms of physicality, mentality, education, vocational training, and life skills ensuring a happy life in society. Realizing the importance of families and society in jointly solving the problems of youths sustainably, the Company donated funds and consumable goods totaling Baht 90,000 for the cause.

#### **Respect for Human Rights**

The Board of Directors has set up a policy to avoid human rights violations by providing guidelines on the respect of human rights for its directors, management and employees as follows:

- The Company treats all employees with respect for their honor and dignity;
- The Company provides the employees with communication channel to voice their suggestions and complaints about their work. Those suggestions and complaints will be seriously considered and solved for the benefits of all concerned parties and for the good relations in the organization;
- The Company encourages the employees to exercise their civil rights in accordance with the Constitution and the law;

- Any biography, biodata, work history, etc. of each employee will be kept confidential. Employees' personal data cannot be disclosed or transferred to the public without the employee's permission. Violation of this rule is regarded as a disciplinary offense, except when acting in compliance with the law or the Company's regulations;
- The Company is against any conduction of human rights violation and corruption;
- All employees must not verbally or physically abuse other people on the basis of race, sex, religion, age and mental or physical disability.

In addition, the Company has issued operating guidelines on the employment in compliance with the labor law for both the Company's employees and its suppliers. This includes the employment of child labor or forced labor, as well as the installation of appropriate safety and sanitary system at workplace. So far, there is no report or complaint on human rights abuse.

### **Intellectual Property or Copyrights**

The Board of Directors has set out a strict policy not to violate intellectual property or copyright and has laid down operating guidelines to check the work or information obtained, which was belong to others, prior to the use in the Company. This is to prevent the violation of intellectual property or copyright of other people. Should there be a case of violation; the company will expedite the solution to the problem along with compensation to those being abused.

### **Anti-Corruption and Corruption Control**

The Board of Directors adheres to the importance of conducting business with honesty, fairness and transparency. Thus, in 2016, it was agreed by the Board of Directors that the company sign a Declaration of Intent to join the Collective Action Coalition (CAC) to fight against corruption in private sector with IOD, Thai Chamber of Commerce, Joint Foreign Chambers of Commerce and Thai Listed Companies Association. This project is supported by the Government and the Office of the National Anti-Corruption Commission.

The company has a corruption risk assessment process and an internal control system to control, prevent, monitor and evaluate whether the Company has adequately and appropriately complied with its internal control policy, which is beneficial to the Company's awareness about its internal frauds.

The employees were occasionally trained in business ethics, especially anti-corruption measures. On February 11, 2014, the executives, project managers, engineers and foremen of the Company jointly declared their commitment towards fighting against frauds and inappropriate behaviors within the organization.

### **Environmental Responsibility and Sustainable Use of Resources**

It is with the support of the Board of Directors to provide education and trainings to the employees regarding environmental protection. Thus a policy is implemented, and action plans are clearly announced. Every employee must strictly adhere to this operating guideline as well as the law and other environmental standards as declared on Corporate Social Responsibility.

### Policy Regarding Reports on Misconduct (Whistle-blowing)

It is the Company's policy to allow stakeholders, both insiders and outsiders, to blow the whistle or file a complaint regarding illegal or unethical acts, inaccurate financial reporting or internal control system faults through the Member of the Audit and CG Committee or the company secretary, who will forward to the Audit and CG Committee for investigation and then submit the report to the Company's Board of Directors for consideration and further actions as deemed appropriate.

### Operational Process upon Receiving Whistle-blowing Reports or Complaints

1. Gathering facts for the Audit and CG Committee.

After receiving whistle-blowing reports or complaints, the Audit and CG Committee or the Company secretary will gather all relevant facts related to illegal or unethical acts, inaccurate financial reporting or internal control system faults. The recipients of such reports or complaints may address the matter by themselves or assign relevant people to proceed on their behalf.

2. The Audit and CG Committee organizes a meeting.

A meeting will be organized among the Audit and CG Committee to look into the whistle-blowing reports or complaints based on all facts gathered. The process can also include interrogation or request for information from the management, as the case may be, and then a report will be compiled for submission to the Board of Directors.

3. The Board of Directors considers the report from the Audit and CG Committee.

The Audit and CG Committee's report will be considered by the Board of Directors, and appropriate actions will be taken in due course.

4. Informing the results to the whistle-blowers or the complainants.

The Board of Directors will inform the whistle-blowers or the complainants about the results of the investigation, in case they reveal themselves.

### Guidelines for the Protection of Whistle-blowers or Complainants

There are guidelines issued by the Company in order to protect the whistle-blowers or complainants from being bullied or intimidated, and the evidence from being destroyed, including:

- The Company will provide protections for whistle-blowers by not disclosing their names;
- The information received will be treated as confidential and revealed only deemed necessary for the safety of the whistle-blowers, the complainants and those involved.
- In addition to the above-mentioned guidelines, if the whistle-blowers or complainants still feel unsafe or get victimized, they can make a request for protection measures from the company.



## Channels for the Whistle-blowers or Complainants

The whistle-blowing reports or complaints can be forwarded to the Company through the following channels:

1. All three members of the Audit and CG committee via Email:
  - Dr. Panja Senadisai Chairman of the Audit and CG Committee [panja.sena@gmail.com](mailto:panja.sena@gmail.com)
  - Professor Emeritus Dr. Vinit Chovichien Member of the Audit and CG Committee [c\\_vinit@hotmail.com](mailto:c_vinit@hotmail.com)
  - Dr. Chaipat Sahasakul Member of the Audit and CG Committee [chaipats@icloud.com](mailto:chaipats@icloud.com)
2. The Company secretary via post, telephone or Email:
  - Address:  
Ms.Thitima Taiwprateep  
Company Secretary  
Pylon Public Company Limited  
170/16 Soi Sammit (Sukhumvit Soi 16),  
Ratchadapisektdmai Road, Klongtoey Subdistrict,  
Klongtoey District, Bangkok 10110
  - Tel : 02 6618242 ext 110
  - Email: [thitima@pylon.co.th](mailto:thitima@pylon.co.th)

## Chapter 4 – Disclosure and Transparency

The Company discloses all of its important information, both financial and non-financial, via the Company's website. This includes information about the organization, corporate governance policy, shareholding structure, structure of the Board of Directors and its committees as well as news inside and outside the organization, which is mostly available in both Thai and English. Shareholders and investors are also provided with an easy access to the Company's website to download the Annual Report, the Annual Registration Statement (Form 56-1) and the financial statements.

In addition, the Company sets up an investor relations unit to communicate with shareholders, investors, and securities analysts equally. In 2016, many activities were arranged for the executives to take part in providing information and meet with investors, contributing to a better understanding of the Company's management, as follows:

- 2 Road Shows
- 35 Analyst and Investor Meetings;
- 4 Opportunity Days on the Company's operating results and business direction;

The Company's information on the website, both in Thai and English, has constantly been updated for completion and accuracy. The main topics are:

- Nature of the Company's business
- Financial summary
- Press Release
- Capital structure

- Management structure
- Information on the Board of Directors and the executives
- Data about investors' relations
- Rules and regulations
- Annual report (downloadable)
- Notification letter to the Annual General Meeting of Shareholders (downloadable)
- Minutes on the Annual General Meetings of Shareholders (downloadable)

In the past years, the Company has never been requested by the Securities and Exchange Commission of Thailand to amend its financial statements. Besides, our annual and quarterly financial summaries to shareholders and investors were released prior to the due date.

It is utterly important to the Company to disclose correct, transparent and holistic information to investors. Thus, a team of investors' relations has been formed to coordinate with the shareholders and investors, keeping in constant communication through email [info@pylon.co.th](mailto:info@pylon.co.th) or contact :

1. Ms. Thitima	Taiwprateep	Telephone No. 02 661 8242 ext. 110 Email : <a href="mailto:thitima@pylon.co.th">thitima@pylon.co.th</a>
2. Mr. Veeratas	Chiradeachwiroj	Telephone No. 02 661 8242 ext. 103 Email : <a href="mailto:veeratas@pylon.co.th">veeratas@pylon.co.th</a>
3. Mr. Chaiyaphol	Sutthamanuswong	Telephone No. 02 661 8242 ext. 104 Email : <a href="mailto:chaiyaphol@pylon.co.th">chaiyaphol@pylon.co.th</a>
4. Mrs. Sureerat	Nakapadungrat	Telephone No. 02 661 8242 ext. 301 Email : <a href="mailto:sureerat@pylon.co.th">sureerat@pylon.co.th</a>

## Chapter 5 – Responsibilities of the Board of Directors

The Board of Directors is made up of 9 members, consisting of 4 independent directors, 3 executive directors, and 2 non-executive director. The structure of the Board of Directors consists of directors with extensive knowledge and experience in various fields relating to the Company's business, e.g. law, accounting, financial, banking, economics, corporate governance and engineering. The Company's Board of Directors set up the qualifications of an independent director which are stricter than the requirements of the SEC and the SET. The Board of Directors directly appoints three committees: the Audit and CG Committee, the Executive and Risk Management Committee, and the Nomination and Remuneration Committee. All these committees have a scope of authority, responsibility and qualifications as specified by the Board of Directors and report directly to the Board of Directors on a quarterly basis. The Executive and CG Committee reports the Company's operating results to the Board of Directors on a quarterly basis.

### Roles, Duties and Responsibilities of the Board of Directors

#### Duties of the Board of Directors

The Board of Directors approves the Company's vision, mission and income projection of the following year as well as an annual investment budget. The Board of Directors also revises standards of corporate

governance, risk management policy and transactions that may cause conflicts of interest (if any), and expresses opinions on the adequacy of the internal control system. Since 2007, the Board of Directors has commenced the performance evaluation in group. Policy and criteria on payment of directors' remuneration are determined by the Board of Directors and approved by the shareholders. Considerations for remuneration are based on comparison with the industry and the Company's operating results. The Board of Directors also sets remuneration for committees except for the Executive and Risk Management Committee's members and the President who are paid as the Company's employees. The President's remuneration shall be determined based on performance evaluation by the Nomination and Remuneration Committee (since 2008).

### **Vision, Mission and Strategy of the Company**

The Board of Directors has set a vision and goals in accordance with the Company's mission, and taken part in the consideration, review and approval of those visions, goals, strategies and operating direction annually, as well as in monitoring the implementation of its strategies.

### **Policies and Practices for those Who Become Directors of Other Company's Board of Directors**

The Board of Directors deems it important that all directors fulfill their duties effectively and dedicate their times fully to the corporate governance. A policy has therefore been formulated to limit the numbers of registered companies, for a maximum of five, in which our directors can become their directors. At present, the numbers do not exceed the rules set.

Furthermore, the Board of Directors has established a policy regarding the assumption of duty of our Directors and President in other company's Board of Directors, that is to say our Directors and President are prohibited from doing business, being partner of an ordinary partnership, being partner with unlimited liabilities of the limited partnership, or being Director of a private company or other companies which conduct business of the same nature and directly compete with the Company. These matters are prohibited whether doing for his/her or other person interests unless the Director notifies the shareholders' meeting prior to the resolution for his/her appointment. Currently, our Directors and President do not doing business, being partner of an ordinary partnership, being partner with unlimited liabilities of the limited partnership, or being Director of a private company or other companies which conduct business of the same nature and directly compete with the Company.

### **The Term of Office of the Board of Directors**

The Company has adopted the Public Limited Company Act to retire one-third of the Board of Directors, at the Annual General Meeting of Shareholders. The Board of Directors consists of a reasonable amount of knowledgeable and skillful persons suitable to the size of our business. There are currently nine persons in the Board of Directors, three executive directors, two non-executive director, and four independent directors. Each director shall hold office for a term of three years.

### Business Ethics

The Company has been operating business with ethics and focusing on the achievement according to the management objectives, based on ethical integrity and honesty which are the core values. It has also been looking after different groups of stakeholders, obeying the law, and avoiding conflicts of interest. The Company has prepared a document relating to business ethics as a manual for working achievement and given training to its employees in business ethics. In 2016, the directors, executives and employees followed business ethics strictly. Relating information can be found on the website of the Company.

### Conflict of Interest Policy

The Board of Directors has set a policy on conflict of interest and guidelines for directors and employees to prevent such incidents in the Company's code of ethics.

Furthermore, it is the policy for all directors to report every case involved in conflict of interest. The Company secretary will submit a copy of the report to the Chairman of the Board of Directors.

### Internal Control System and Risk Management

The Board of Directors has always recognized the importance of internal control system. At the 7<sup>th</sup>/2016 Meeting on November 11, 2016, the Board of Directors evaluated the adequacy of the internal control system from the report of the Audit and CG Committee (which was evaluated at the 5<sup>th</sup>/2016 Meeting on November 11, 2016), from the report of independent internal auditors (which was in full compliance with the evaluation form improved and adopted on August 2013 by the Securities and Exchange Commission of Thailand in accordance with the 2013 framework of internal control practices of COSO. The framework includes five components of internal control system; Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring, extended into 17 principles.), and also from the report and the responses of the executives. It can be concluded that after the evaluation in five components of the internal control system, the Board of Directors considered that there was appropriate and sufficient internal controls in the Company.

Moreover, the Board of Directors has proceeded to ensure the efficiency of the Company's risk management policy and holistic management approach. The Executive and Risk Management Committee is therefore assigned to report on risk management to the Audit and CG Committee for their information and advice every quarter, and to provide effective management system covering the entire enterprise. The Audit and CG Committee must report further to the Board of Directors on any risk and the Company's method for risk management in order to modify strategies, operating plans and management practices in a timely manner. The Details of risk management are already disclosed in Risk Factors.

### Meetings of the Board of Directors

The Board will schedule its meetings in advance every year, and will organize at least six meetings a year including special meetings occasionally if need be. Moreover, there will be a meeting, at least once a year,

among non-executive members to discuss various management issues without the presence of the executives. At every meeting, the Board of Directors will set clear agendas, either for information or for consideration, and will circulate a complete set of meeting documents and agendas to the directors at least 7 days prior to the meeting date, providing enough time for the directors to study the information. The Chairman of the Board of director's meeting will allocate adequate time for each director to discuss and give opinions freely, and will summarize the points and resolutions from the meeting. The Company secretary will report the results of the meeting in writing. After the report is approved by the Board of Directors, it will be kept in a file cabinet in the Company's file room for important documents, at the headquarters, on the 7<sup>th</sup> Floor, Ocean Tower 1 Building, so that the directors and relevant people can check it later on.

The Company has a policy regarding the minimum quorum of the Board of Directors before voting, which must be at least two-third of the total membership.

All directors shall have the duty to attend all Board of Directors' Meetings, except when otherwise excused. In 2016, the Board of Directors held 8 meetings, each taking at least 2 hours. The meeting rate of attendance by directors was 97.18%. In addition, a meeting among non-executive directors was held on 24 February 2017, with an attendance rate of 100%.

Details of the meeting attendance of each director are disclosed in Item 8 "Management Structure".

### **Self-Evaluation of the Board of Directors**

The Board of Directors will arrange for its annual evaluation, using criteria and forms based on samples of self-evaluation forms issued by the Stock Exchange of Thailand. The criteria are as follows:

1. Directors' Readiness
2. Strategy Setting and Policy Making
3. Risk Management and Internal Control
4. Conflict of Interest
5. Financial Reporting
6. Board of Directors Meeting
7. Directors Nomination and Remuneration and President's Performance Evaluation

Evaluation Process is as follow:

The secretary of the Board of Directors will send out a form to each director to fill in and return for compilation and submission to the Board of Directors's meeting held regularly on December each year. If the score on any topic is lower than the level "C", there will be improvement measures. In 2016, the score of Self-Evaluation of the Board of Directors was 98.83%.

### The President's Performance Evaluation and Remuneration Policy

It is the Board of Director's policy to arrange an annual performance evaluation of the President, using goals and evaluation criteria that link to KPI in order to benchmark appropriate remuneration.

Not only that the remuneration policy for the President is based on the result of KPI, but it also depends on personal qualifications and abilities, as well as the status of the Company and the level of remuneration in the industry. There are short-term and long-term remunerations such as bonus and pay raise.

### Remuneration for the Directors and the Executives

#### Remuneration of Directors

The Company has issued a clear policy and criteria for remuneration on the basis of transparency, accountability and at appropriate and satisfying level, in order to attract the high-quality directors and keep them on continuing their good services. The remuneration rates are compatible to the levels practiced in the business, in accordance with their experiences, positions, accountability and responsibilities, as well as the gains that the Company will retrieve from each director. The remuneration can be divided into three parts, as follow:

1. Monthly remuneration that reflects the responsibilities as the directors;
2. Meeting allowance that shows the importance and the time devoted to the Company's meetings;
3. Annual bonus which is a special remuneration given to the directors for their shareholder value added.

The Nomination and Remuneration Committee shall consider remuneration of directors and propose to the Board of Directors and then at the shareholders' meeting for approval.

#### Remuneration of Executives

The President shall consider appropriate rates of remuneration of executives and adjustments thereto each year. The executives shall receive remuneration in forms of salary and bonus linked to corporate and individual performance using the Key Performance Indicators (KPI) system.

Details of the remuneration of directors and executives are disclosed under the topic of "Remuneration of Directors and Executives" in Item 8 "Management Structure".

### Development of the Directors and the Executives and Succession Plan for the Executives

#### **Development of Directors**

It is the policy of the Company's Board of Directors to encourage our Directors to develop their knowledge on a regular basis through trainings and education on relevant subject matters to increase their capability and constantly improve their performance. For example, Directors will be encouraged to attend training courses or seminars to enhance their potential, knowledge and experiences.

The Board of Director encourages at least a director to attend courses or seminars for enhancing their working performances in the past year.

In 2016, there were 2 directors who attended the director-related trainings as follows:

	Name - Surname	Courses
1.	Dr. Panja Senadisai Chairman of the Audit and CG Committee	Corporate Governance for Capital Market Intermediaries, <a href="#">Thai Institute of Directors</a> (IOD)
2.	Dr. Chaipat Sahasakul Independent Director	Managing Conflicts in the Boardroom, <a href="#">Thai Institute of Directors</a> (IOD)

In the case of new Directors, the Company has prepared and arranged for an orientation to equip them with knowledge and understanding on the Company's business and the relevant rules and regulations. It also provides an opportunity for the new Directors to meet with other executives to inquire about in-depth business information and to encourage them to attend IOD's training courses.

In 2016, one new director attended the orientation training with the President as speaker. Training covered the nature of business, structure and composition of the Board of Directors and other committees, code of conduct, good corporate governance, etc.

#### Development and Succession Plan for the Executives

The Board of Directors has entrusted the Executive and Risk Management Committee to create a succession plan, from CEO level down to Vice President, to ensure the continuity of suitable executives with ample knowledge and ability to run the Company. This succession plan also includes the Executives' Capability Development Plan and the specification of required education, capability and experiences of each position as a preparation in case any of the executive is unable to perform their duties.

#### Committees

The Board of Directors has set up various committees comprising knowledgeable and skillful members to enhance the Board of Directors ability to study and carefully verify information on important issues, as well as to increase effective corporate governance. Those committees include the Audit and CG Committee, the Nomination and Remuneration Committee, and the Executive and Risk Management Committee.

Details of the structure and responsibility of three committees are disclosed under the topic in Item 8 "Management Structure".

Besides, at the 2<sup>nd</sup> Board of Directors' meeting on March 23, 2016, it was agreed that a CG Committee and Risk Management Committee be established, and that changes be made including:

1. An arrangement for the Audit Committee to also function as the CG Committee, and to change its name to 'the Audit and CG Committee';
2. An arrangement for the Executive Committee to also function as the Risk Management Committee, and to change its name to 'the Executive and Risk Management Committee.'

### Supervision of Inside Information Usage

The Company has a strict policy prohibiting its directors, executives, and employees who know the inside information from using that information for his/her own or other persons interests. The Company's guidelines on this policy are as follows.

1. The Company informs the directors and executives about the use of inside information and obligations to report their trading of Company's and its subsidiaries' stock including the trading executed by their spouses and dependents that have not come of age. They are also informed about the relevant penalties thereof according to the Securities and Securities Exchange Act B.E.2535 and its amendment as well as the regulations of the Stock Exchange of Thailand.
2. It is an obligation of directors and executives to prepare the report of their ownerships of the Company's stock, including those stocks owned by their spouses or dependents that have not come of age, and submit to the Securities and Securities Exchange Commission. The report should be as follows.
  - Report the first ownerships of stock (Form 59-1) within 30 days after the public offering closing date or the day that they are appointed to be directors or executives.
  - Report the changes of stock ownerships (Form 59-2) from buying, selling, or transferring of stocks within 3 days after buying, selling, or transferring of those stocks. On the day that they submit the report to the Securities and Securities Exchange Commission, a copy must be sent to the Company.
3. Directors, executives, and employees who know the significant inside information which may affect the changes in stock prices shall be acknowledged by the Company that they must stop buying or selling of the Company's stock one month prior to the disclosure of Company's operating result (the Company will declare its operating result within 45 days after the end of quarter and within 60 days after the end of accounting year) or prior to the day those inside information were disclosed to general public.
4. The Company prepared the Code of Ethics handbook with details prohibiting directors, executives and staffs to use inside information for buying or selling the Company's stock or to give any inside information to other persons for buying or selling the Company's stock.

If the Company finds that any director, executive or employee who knows the significant inside information violates the Company's Code of Ethics relating to usage of inside information and causes damage to the Company or its image, the Company will undertake the proper actions including but not limited to cooperate with relevant supervisory agencies to undertake necessary legal actions.



## Corporate Social Responsibility

Pylon Public Company Limited has the policy to conduct its business by living up to the concept of corporate social responsibility (CSR) and placing importance on the provision of support through a number of social and community activities as well as the commitment towards ongoing environmental care. The Company conducts its business based on the principles of transparency, accountability, integrity, respect for human rights, and preservation of interests of stakeholders including shareholders, employees, communities surrounding the Company's workplace, customers, suppliers, creditors, competitors, government agencies and society and the nation as a whole.

The Company focuses on the business development while implementing the concept of corporate social responsibility and complying with laws, regulations and other international practices with an aim of building a foundation for the Company's continuous and sustainable responsibility. The details of the Company's CSR policy are as follows:

### 1. Operating business with integrity:

The Company is committed to operating its business with integrity and ethics by strictly complying with laws and respecting rules and regulations of society. The organization has a neutral political stance and aims to be a leader in the bored-pile foundation construction industry in terms of quality and efficiency in order to gain trustworthiness from customers, investors and other stakeholders as well as to add value and promote the organization's sustainable growth. The Company also attaches importance to the international management practices which are beneficial to Thai society. This is for the Company to strive for the achievement of established goals and to foster the integrity which is a core value of the leading organizations.

### 2. Fighting against corruption:

The Company has announced its intention to fight against corruption and misconduct in the organization based on the perspective that corruption and frauds have occurred widely and continue to increase in Thai society in both the government and private sectors. Such improper behaviors also exist even in companies and organizations. Therefore, management and supervisors operating in the job site including engineers and foremen together with the executives jointly confirmed their commitment towards fighting against frauds and inappropriate behaviors within the organization on February 11, 2014 at the Head Office.

In addition, it was agreed by The Board of Directors that The Company signed a Declaration of Intent to join the Collective Action Coalition (CAC) to fight against corruption in private sector with IOD on March 4, 2016. The Company has been in the process of preparing Anti-Corruption Policies.

### 3. Respect for human rights:

The Company put an emphasis on basic human rights to promote respect for rights and freedom. The Company supports non-favoritism, equitable treatment, equal opportunities for all sexes and classes, and fight against children labour use. The Board of Directors has set up a policy to avoid human rights violation by providing guidelines on the respect of human rights for its directors, management and employees as follows:

- The Company treats all employees with respect for their honour and dignity;
- The Company provides the employees with communication channel to voice their suggestions and complaints about their work. Those suggestions and complaints will be seriously considered and solved for the benefits of all concerned parties and for the good relations in the organization;
- The Company encourages the employees to exercise their civil rights in accordance with the Constitution and the law;
- Any biography, biodata, work history, etc. of each employee will be kept confidential. Employees' personal data cannot be disclosed or transferred to the public without the employee's permission. Violation of this rule is regarded as a disciplinary offense, except when acting in compliance with the law or the Company's regulations;
- The Company is against any conduction of human rights violation and corruption;
- All employees must not verbally or physically abuse other people on the basis of race, sex, religion, age and mental or physical disability.

### 4. Fair treatment of workers:

The Company ensures that wages are determined at appropriate levels compared to the industry. Changes to the structure and organization arrangement are responsibly made within the framework of Thai laws.

The Company has a wide range of employee benefits and put efforts in improving the quality of work life of employees to ensure that employees can perform duties with efficiency and happiness. The Company also provides group accident insurance and medical insurance as well as establishes the Provident Fund to create security for employees.

Policies and practices of the Company also stress the importance of occupational health and safety by establishing the Occupational Health, Safety and Environment Committee for the maintenance yard and construction sites which shall be responsible for ensuring employees' safety and health. Measures to check the safety of workplaces on a regular basis were established. Fire extinguishers were installed and fire exits were established. Fire control demonstrations and fire drills were arranged every year for the maintenance yard and head office. The operating manual for construction sites was formulated, focusing on occupational health, safety and environment in workplaces and creation of secure work atmosphere for employees, sub-contractors and visitors at

the construction sites. The manual contains control measures to protect everyone from possible accidents and hazards.

#### 5. Responsibility towards customers:

The Company focuses on the production with quality and highest safety standards to attain the customer's maximum satisfaction. The Company demonstrates sincere and active efforts in handling customers' complaints and problems potentially arising from the production and/or services with a view to maintaining sustainable relationships with customers.

#### 6. Environmental care:

The Company has the clear environmental policy and seriously implements the policy. The Company complies with environmental laws and standards and arranges internal systems to control and prevent against environmental problems. Also, the Company conducts a campaign to promote economical consumption of resources and energy such as electricity, tap water, and especially fuel. According to the progress report, the Company's fuel consumption has been more efficient.

#### 7. Participation in the development of communities and society:

The Company considers the needs of the communities and extends help to concerned parties in the communities around the workplaces. In addition, the Company promotes and supports its employees to volunteer to partake in social contribution activities with communities.

The Company held an activity called the "Good Deeds of Pylon Family for Children of Rajvithi Home for Girls" on 10 December 2016. The Rajvithi Home for Girls was established in order to provide assistance and development for orphans and disadvantaged children (lacking guardians, being abandoned, living with poverty, being raised inappropriately, living in broken family, being sexually exploited, or with parents serving jail term, etc.). For girls from 5-18 years old, the institute promotes their higher education in both high school and vocational systems according to their capabilities and skills. This is to help each of them become able to make a living, support oneself, and remain in harmony with society. Children and youths experiencing family and social problems will receive development in terms of physicality, mentality, education, vocational training, and life skills ensuring a happy life in society. Realizing the importance of families and society in jointly solving the problems of youths sustainably, the Company donated funds and consumable goods totaling Baht 90,000 for the cause.

“Good Deeds of Pylon Family for Children of Rajvithi Home for Girls”



## Internal Control

The Company places importance on the adoption of appropriate and adequate internal controls in business management in order to preserve the benefits of shareholders, employees and all other concerned parties. Internal controls based on the principles of good corporate governance and consideration of risks associated with business and operations contribute to the effective and efficient business in both financial and operational aspects and the achievement of the goals specified by the organization.

From June 2005 onwards, the Company has engaged Chayot Co., Ltd. to be the Company's internal auditor. The said firm provides services related to internal audits and accounting system establishment. The firm's services focus on internal audits, provision of recommendations and advice on the design of accounting system, and internal control system assessment. After due consideration of the Mr. Dhitiwat Supanpong's qualifications of Chayot Co., Ltd., from education, experience and training the Audit and CG Committee opined that the firm was qualified to perform such duties as the firm has demonstrated independence and experiences in internal audits. Furthermore, the Company appointed Ms. Thitima Taiwprateep to coordinate with such outsource auditor.

The duties and responsibilities of Chayot Co., Ltd. (the Company's internal auditor) are as follows:

- Prepare the Company's annual audit plan.
- Review and provide recommendations to various departments regarding appropriate internal control.
- Prepare a report of the audit results in accordance with the audit plan and submit to the Audit and CG Committee at least once every quarter.
- Prepare and report the results of the Company's risk assessment and adequacy of the internal control system to the Audit and CG Committee
- Oversee the internal control system to ensure compliance with the regulations prescribed by the Stock Exchange of Thailand and the Securities and Exchange Commission.

Consideration and approval for appointment, removal, and transfer of Head of Internal Audit of the Company must be subject to prior approval (or endorsement) of the Audit and CG Committee.

As of September 30, 2016, the results of the audit conducted by the internal auditor and the external auditor revealed no significant findings. The Audit and CG Committee Meeting attended by the 3 members acknowledged and provided opinions on the findings and recommendations made by the internal auditor and the external auditor as well as the results of rectification made by the Company.

At the Board of Directors Meeting No. 7/2016 held on November 11, 2016, the Board of Directors assessed the adequacy of the internal control system based on the Audit and CG Committee's report duly considered at the Meeting No. 5/2016 held on November 11, 2016. Based on due consideration of the internal auditor's report (*the report was prepared according to the assessment form revised and announced by the SEC in August 2013, according to the 2013 COSO internal control framework covering five internal control components, i.e. internal control within the Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring, extended into 17 principles.*) and the management

report as well as management responses, the Board of Directors deemed that the internal control system of the Company in five areas were appropriate and adequate.

In conclusion, the Board of Directors deemed that the internal control system of the Company in five areas were appropriate and adequate. Correspondingly, the Company has properly allocated enough manpower to achieve effective works, including tracking, monitoring and regulating the Subsidiary's duty to protect the Company and its Subsidiary's property from being unauthorizedly used by any director or executive.



## Risk Factors

### Price Volatility and Supply Availability of Raw Materials

The Company's main raw materials include concrete, steel bar, cement, diesel, and borehole stabilizing slurry (bentonite and polymer). In 2016, the concrete prices had been stable (with slight decrease). This was in line with decreasing demand in construction industry. Fluctuations of diesel prices in 2016 aligned with changes in global oil prices. In 2016, steel bar prices had the same direction as oil prices. The volatile prices of the abovementioned main raw materials could result in the Company's lower-than-expected profits.

However, in order to reduce the impact in long term, the Company has always conducted a policy to reduce the risk of price volatility and supply availability by preorder, in whole, some of raw materials such as steel to be used. In some cases such as concrete and bentonite, the Company would enter into the short-term agreement to lock the purchase price for a certain period. Since the Company's projects generally require only 2 – 6 months to complete, a chance that the Company would confront with the price volatility is rather limited. Moreover, the fluctuation of foreign exchange rate does not have significant effect because most major raw materials could be purchased domestically.

Regarding the diesel price in which the purchase price cannot be locked in advance, the Company has a policy to alleviate the effect of diesel price by campaigning for reduction of diesel usage at the job sites as well as increasing the production efficiency. In addition, the Company will adjust the selling price if necessary in consideration with the competitiveness factor.

### Inability to Secure New Projects Upon the Completion of Existing Projects

Foundation construction generally requires approximately 2-6 months to complete and at most 10-12 months for large-scale projects. Therefore, acquiring new projects to replace the nearly completed projects is necessary to maintain steady income and growth.

The slowdown of the bored piling industry near the end of 2015 resulted in higher market competition from the beginning of 2016. However, the government's release of megaprojects in Q3/2016 led to the recovery of the industry in the second half of the year and lowered market competition.

For 2017, the government policy to invest in various infrastructure projects should stimulate private investment in commercial buildings and condominiums. This shall have a positive impact on the construction industry as well as the foundation industry. The Company thus expects that the foundation industry in 2017 should show gradual recovery with clear signs of improvement in the second half of the year.

However, there are risks related to the government's consistency in launching infrastructure construction projects, which could affect the construction sector and the Company.

The Company continues to adhere to its policy on new customer expansion and existing customer retention to reduce the risk.

### Losing Skilled and Experienced Personnel in Foundation Works

The Company's operation requires experienced personnel who have knowledge and skills in foundation works such as planning, construction techniques, client liaison, usage of machines and equipment, as well as machinery maintenance. Losing key personnel such as executives or proficient engineers might affect the Company's performance.

However, the Company has a policy to provide a reasonable welfare and remuneration to the employees as well as the regular training programs to improve their abilities and to keep them with the Company in long term. With a good personnel management system, the Company could rotate personnel for any vacant positions without affecting the operation.

### Delay of Project Completion

Risk from the project delay may arise from the client's end such as late handover of construction area or late approval on important matters. In some cases, when the owner delays to handover the construction area, a stand-by fee would be granted to the Company. The project delay could adversely affect the construction period and expenditure. In order to alleviate this risk, the Company constantly collaborates with clients and shall transport the machines and equipment onto the job site only after the area is ready for construction.

On the other hand, the delay may cause by the Company's end such as shortage of raw material supplies. If the Company is unable to deliver the project on the agreed date, it may be subjected to a penalty fee. In this case, the Company alleviates the risk by preordering, in whole, some necessary materials after signing the contract. Moreover, the Company may increase its manpower and machinery to expedite the construction if necessary.

### Lawsuits or Claims due to Damages from Construction

Damages of the structures may occur from several reasons such as errors in a design or poor quality of construction. These may lead to damages or injuries. Such occurrences may result in lawsuits or claims against the Company.

Once the project is completed, the Company shall provide the quality assurance by placing a bank guarantee or a company guarantee letter for a period of 1-2 years. In the past, the Company has never been subjected to any lawsuits related to work quality because the Company has a high standard of quality control system to minimize chances of having damages from construction process. In addition, the Company has a policy to have a contractor's all risk insurance during construction to reduce the risk and impact if there is any damage from operation. However, if there are any defects from the Company's operations, the Company will take immediate corrective actions.



### Risk from Uncollectible Accounts Receivable

From the volatile situation, many factors including exchange rates; uncertainties of economies of the United States, Europe and China fluctuation of; raw material prices such as fuel and metals; inflation rates; and the continuity of new government projects could affect the real estate sector and the construction sector. This will give rise to liquidity problems of certain customers of the Company and possible impacts on their debt servicing ability.

In order to reduce the risk of unpaid debts, the Company shall examine financial status and reputation of its customers prior to accepting any engagement. In some cases, the Company may request for a payment guarantee prior to the beginning of operations such as advance payment, a letter of bank guarantee, a domestic letters of credit (DLC) or avals. The Company shall set up an allowance for doubtful accounts for expected uncollectible debts, follow up debt collection until the case is final and further pursue legal action as deemed necessary.

## Management's Discussion and Analysis

### Overview of the Operations in 2016

Our foundation works include bored piling, diaphragm wall, and ground improvement by jet grouting. The foundation industry relies heavily on the construction industry. In 2016, the bored piling industry had a downward trend compared to the previous year. This resulted in higher market competition starting from the beginning of the year. Nevertheless, thanks to the government successful launch of megaprojects since Q3/2016; the bored piling industry started to revive in the second half of the year, leading to lowered market competition.

In 2016, the Company and its subsidiary posted total construction revenues of Baht 1,062.71 million, of which 76.56% was from private sector's projects and 23.44% was from government sector's projects.

As regards the Company's costs, the Company continued to implement the policy on the purchase of main materials required for the bored-pile foundation construction works upon entering into the construction contracts in order to mitigate risks from fluctuations of prices of materials required for particular projects. However, since bored-pile foundation construction works do not require much time to finish, the impact of material price fluctuations on the works will be limited. Also, despite material price fluctuations, when acquiring new projects, the Company can always adjust prices to ensure alignment with changing costs applicable to such new projects.

The Company also has a non-financial key performance indicators such as market share, the level of customer satisfaction and the rate of capacity utilization of machinery etc.

### Operating Results

In 2016, the Company and the Subsidiary had revenues from construction works in the total amount of Baht 1,062.71 million which decreased by Baht 158.60 million or 12.99 % from the previous year because of the slowdown of construction industry. For the government sector, the important projects were EGAT Headquarters project, MEA Klongtoey project, Jira-Konkaen Double-Track Railway Project, The Expansion of Suvarnabhumi Airport, The Multi-Purpose Building for Office of the Permanent Secretary for Defence, The Residential Building for Army Welfare Department. For the private sector, the important projects were IKEA Westgate project, Samyan Mitrtown project, Praram 9 Hospital project, The ESSE Asoke project, Pruksa Real Estate's condominium projects, AP(THAILAND)'s condominium projects, Ananda Development's condominium projects.

The project costs comprised of wages, construction materials, depreciation, consumables and other expenses required in production process. The price of major construction materials for foundation works

such as concrete, cement, rebar, diesel and bentonite / polymer slurry was subject to change in accordance with the market and economic situation.

In 2016 the Company and the Subsidiary had costs from construction works of Baht 802.96 million, decreasing Baht 111.43 million or 12.19 % from the previous year, in line with the lower revenue. This translated into the percentage of cost to revenue from construction works at 75.56% increasing from 74.87% in the prior year.

The Company's selling and administrative expenses consisted of including staff, overhead, tax, fee and other expenses. In 2016 the Company and the Subsidiary had the selling and administrative expenses amounted to Baht 70.31 million of which Baht 68.98 million was incurred by the Company. The other Baht 1.33 million was incurred by the Subsidiary.

In 2016, the Company reversed a provision for impairment in investment in the subsidiary in the amount of Baht 17.62 million and reversed an allowance for doubtful debts in the amount of Baht 0.04 million. The Subsidiary set up the allowance for doubtful debts totaling Baht 0.25 million.

In 2016, the Company and its Subsidiary's net profit (portion of the Company's shareholders) was Baht 172.22 million showing the decrease of Baht 29.70 million or 14.71 % compared with the prior year. This translated into the percentage of net profit to revenue at 15.98 decreasing from 16.33 for the previous year due to the slowdown of industry. The basic earnings per share was Baht 0.46.

## Financial Position

As of December 31, 2016, the Company and its Subsidiary's total assets were Baht 1,015.55 million comprising current assets of Baht 642.08 million, decreasing Baht 213.72 million from the prior year, and non – current assets of Baht 373.47 million, increasing Baht 65.65 million from the previous year. Such decrease was mainly from short term investments of Baht 249.28 million, unbilled accrued income of Baht 24.69 million, restricted deposits with banks of Baht 17.05 million. Some increase was mainly from trade accounts and notes receivable of Baht 71.62 million, property, plant and equipment of Baht 94.18 million. Return on assets in 2016 was 18.72 % decreasing from 19.90% in the prior year.

Regarding liabilities as of December 31, 2016, the Company and its Subsidiary had the total liabilities of Baht 224.71 million comprising current liabilities of Baht 211.89 million, lower than that of the previous year approximately Baht 23.48 million. This was mainly from a decrease of Baht 17.06 million in advances paid from customers, a decrease of Baht 8.69 million in bank overdrafts, a decrease of Baht 3.06 million in current portion of liabilities and decrease of Baht 17.66 million in other items. Some increase was mainly from trade accounts payable of Baht 25.28 million. Non-current liability was Baht 12.82 million showing the decrease of Baht 4.38 million from the previous year.

In regard to shareholders' equity as of December 31, 2016, the consolidated financial statements showed shareholders' equity of Baht 790.83 million, lower than that of the previous year which was Baht 911.04

million in which Baht 790.83 million belonged to the Company's shareholders, lower than that of the previous year which was Baht 916.74 million. During the year, the Company gave dividend payment of Baht 292.42 million. According to consolidated Financial Statements, the total debt to equity ratio was 0.28 and the return on equity was 20.17 %.

On January 16, 2016 the minor shareholders of Excelon Co., Ltd. (subsidiary) transferred their 3,920,000 shares, or 49% of the total common shares, to the Company at zero value. As a result, the Company's shareholding has increased from 51% to 100%. The discount arising from the transfer of Baht 5.70 million was recorded in the consolidated shareholders equity as 'Discount from change in holding in subsidiary' in accordance with the requirements TFRS 10: Consolidated Financial Statements.

### Audit Fee

In 2016, the audit fee of Baht 1,010,000 was paid to the auditor of Grant Thornton Limited, comprising the audit fee for the Company of Baht 815,000 and for the Subsidiary of Baht 195,000. The aforementioned fee excluded out-of-pocket expenses such as printing of financial statements, transportation, etc., which were charged on actual costs but not exceeding 10% of the audit fee.

There was no other non-audit fee paid to the auditor, the auditing firm employing the auditor and any person or any entity related to the auditor and such auditing firm.

## Connected Transactions

In 2016, the Company and its Subsidiary have no connected transactions with persons and/or juristic persons who may cause conflict of interest.

### Measures or Procedures on the Approval of the Connected Transactions

After the Company was listed on the Stock Exchange of Thailand (SET), the Board of Directors has supervised the Company to ensure compliance with the Securities and Securities Exchange Act, rules, notifications, orders, or regulations prescribed by the Stock Exchange of Thailand including the regulations regarding the disclosure of information on the connected transaction and the acquisition or disposition of the Company's asset.

If the Company enters into a connected transaction with person who may have conflict, interest, or may cause conflict of interest in the future, the Audit and CG Committee shall advise on the necessity of the transaction and suitability of its price. The advice would base on the terms and conditions of the normal business practice in the market and the price would be compared with the market price. In case that the Audit and CG Committee does not have skill to consider the particular connected transaction, the Company shall appoint the independent expert or the Company's external auditor to provide comments on that transaction to be used for the decision of the Board of Directors, and/or the Audit and CG Committee and/or the shareholders whatever the case may be. The Company shall disclose the connected transactions in the note accompanying the financial statements that are audited or reviewed by the Company's external auditor.

The Company has complied with the regulations of the Stock Exchange of Thailand and its amendments regarding the connected transaction and/or the acquisition and disposition of asset of the listed company as well as the disclosure of information to the Company's shareholders, general investors, and relevant agencies including the Stock Exchange of Thailand. The regulations also include the approval from the Board of Directors' Meeting and/or the meeting of shareholders as prescribed by the Stock Exchange of Thailand. In addition, directors or shareholders who have conflicts of interest or participate in such transactions do not have the right to vote in the decision making process.

### Policy or Trend on the Connected Transaction Including the Acquisition and Disposition of Asset in the Future

The connected transaction that might happen in the future must comply with the aforementioned measures.

## Statement of the Board of Directors' Responsibilities

Under the Public Limited Companies Act B.E. 2535, the Accounting Act B.E. 2543, the Securities and Securities Exchange Act B.E. 2535, and the Notifications of the Securities and Securities Exchange Commission regarding the principles, conditions and methods for disclosure of financial statements and performance of companies issuing securities, it is a duty and responsibility of the Board of Directors of the Company to prepare appropriate and actual financial statements of the Company in order to show its financial position and performance for the past year.

The Company's management has prepared the financial statements in accordance with the Generally Accepted Accounting Principles, having chosen appropriate accounting policies and upheld them with consistency. Careful consideration and best estimation have also been used for such preparation and for the disclosure of material and adequate information in the notes accompanying the financial statements.

The Company's financial statements have been examined by an auditor from Grant Thornton Limited. Such auditor has been provided with information and documents to enable them to audit and express opinion in compliance with the auditing standards. The auditor's opinion is presented in the auditor's report which is a part of this annual report.

Being well aware of its duties and responsibilities to ensure the effective oversight of the financial statements, the Board of Directors has appointed the Audit and CG Committee from qualified persons to oversee that the Company's financial statements be prepared correctly and completely and that appropriate accounting policies be adopted and consistently followed. Also, the Audit and CG Committee has to review the internal control system to significantly prevent or reduce risk of any fraud or abnormalities, as well as to ensure its adequacy and effectiveness to safeguard the Company's assets. The Audit and CG Committee's opinion is presented in the Statement of the Chairman of the Audit and CG Committee which is a part of this annual report.

From the practice and supervision as mentioned above, the Board of Directors is of the opinion that the financial statements of Pylon Public Company Limited, as of December 31, 2016, present the Company's financial position and operating results in a correct and reliable manner in compliance with the Generally Accepted Accounting Principles and all relevant governing laws and regulations.



(Mr. Seri Chintanaseri)  
Chairman



(Dr. Chanet Sangarayakul)  
President

## Statement of the Audit and CG Committee

The Company's Audit and CG Committee consists of 3 independent directors possessing full qualifications in compliance with the Notification of the Securities and Exchange Commission (SEC). Dr. Panja Senadisai is Chairman and Dr. Chaipat Sahasakul and Professor Emeritus Dr. Vinit Chovichien are the other members of the Audit and CG Committee. The term of office of the Audit and CG Committee is 3 years.

The Audit and CG Committee has performed work in accordance with the scope of responsibilities as assigned by the Board of Directors and as prescribed in the Audit and CG Committee's Charter which is in compliance with those specified by The Stock Exchange of Thailand (SET): The Audit and CG Committee's Qualification and Scope of Duties and Responsibilities B.E. 2551. The Audit and CG Committee regularly reports the Committee's Minutes of Meeting to the Board of Directors

In 2016, a total of 5 Audit and CG Committee's meetings were held with all members present in every meeting. The meetings were conducted to consider and proceed with the following matters:-

1. Review of financial reporting

The Audit and CG Committee has reviewed the quarterly and annual financial statements for the year 2016 in collaboration with the auditor and the management. This is to give assurance that the Company's financial statements are in compliance with the Generally Accepted Accounting Principles according to the Accounting Act B.E. 2543 and the relevant notifications of the Securities and Exchange Commission and the Stock Exchange of Thailand, and that the disclosure of information is made in an adequate, complete, timely and reliable manner which is beneficial to and supports decisions made by shareholders and general investors as well as aligns with applicable laws and notifications. The Audit and CG Committee has also supported and monitored the compliance with the International Financial Reporting Standards (IFRS) in accordance with the guidelines specified by the Federation of Accounting Professions and the Office of Securities and Exchange Commission. In addition, in 2016 the Audit and CG Committee held one meeting with the auditor without the participation of the management to ensure that the auditor independently performed his/her duties.

2. Review of the adequacy and appropriateness of internal control system

The Audit and CG Committee has reviewed the adequacy and appropriateness of the internal control system by considering the reports of the Independent Internal Auditor and the external auditor. The auditor has mutually agreed that no significant operational faults were identified in 2016. In addition, the Audit and CG Committee has considered the result of the evaluation of the internal control system of the Company and its subsidiary as well as the questions used in the evaluation form prepared according to the guidelines specified by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), the Securities and Exchange Commission and the Stock Exchange of Thailand. According to the evaluation result for 2016,

the internal audit function is independent and the internal control system of the Company is adequate, appropriate and effective.

3. Supervision of internal audit operations

The Audit and CG Committee has considered and selected Chayot Co., Ltd. to be an independent internal auditor for another year as well as approved the internal audit scope and plan for the year 2017 whereas the internal auditor shall report the result directly to the Audit and CG Committee.

4. Review of the Company's compliance with the laws regarding securities and stock exchange, requirements of the Stock Exchange of Thailand or laws relevant to the Company's business

The Audit and CG Committee has reviewed if the Company has in place the processes to ensure that the operations are in compliance with the laws regarding securities and stock exchange, requirements of the Stock Exchange of Thailand and the Securities and Exchange Commission as well as laws relevant to the Company's business.

5. Connected transactions or transactions which may involve a conflict of interest

In 2016, the Company had no connected transaction or transaction which may involve a conflict of interest prescribed by the Stock Exchange of Thailand regulations regarding the connected transactions and/or the acquisition or disposition of the Company's asset.

The Audit and CG Committee has reviewed the Company's disclosure of information in the case of any connected transactions or transactions which may involve a conflict of interest to ensure that the information is correctly and completely disclosed in the notes to the annual and quarterly financial statements and that the transactions incurred are reasonable, beneficial to the Company and are in compliance with the business conditions and requirements of the Securities and Exchange Commission.

6. Consideration, selection and nomination of an independent person for appointment as the auditor of the Company

The Audit and CG Committee has reviewed the operations of the auditor from Grant Thornton Limited and opined that the auditor performed professional duties in an independent, impartial and timely manner, thoroughly understood the Company's business and has duly been granted approval from the Securities and Exchange Commission. It is therefore deemed appropriate that Mr. Somkid Tiatragul, CPA license No. 2785 or Mrs.Sumalee Chokdeeanant, CPA license No. 3322 or Mr.Teerasak Chuasrisakul, CPA license No. 6624 or Ms.Sansanee Poolsawat, CPA license No.6977 or Ms.Kanyanut Sriratchatchawan, CPA license No. 6549 or Mr.Narin Churamongkol, CPA license 8593 of Grant Thornton Limited should be nominated as



the auditor of the Company for the year 2017 and that the matter should be proposed to the Company's Board of Directors for consideration and further submission to the Meeting of Shareholders for approval.

7. Review of risk management

The Audit and CG Committee has reviewed risk management operations with the management and the internal auditor and opined that the management has in place appropriate and adequate risk management.

8. Annual review and amendment of the Audit and CG Committee Charter

The Audit and CG Committee shall review the Audit and CG Committee Charter to ensure that the past year's operations were undertaken completely as assigned and the duties and responsibilities were in alignment with the good practices by the SET.

9. The Audit and CG Committee reported its work performance to the Board of Directors for acknowledgement at least once a quarter.

Based on the Audit and CG Committee's performance of duties as mentioned above, the Audit and CG Committee was of the opinion that the Company adopted an adequate and appropriate internal control system, that the Company put in place the appropriate procedures to ensure that the Company's operations are in compliance with relevant laws, and that the preparation and disclosure of information in the financial reports of the Company were correct, complete, reliable, and in a timely manner as well as disclosed connected transactions or transactions which may involve a conflict of interest in a correct and complete manner.



(Dr. Panja Senadisai)

Chairman of the Audit and CG Committee

## Statement of the Nomination and Remuneration Committee

The Company's Nomination and Remuneration Committee consists of 2 independent directors and 1 non-executive director possessing full qualifications in compliance with the Notification of the Securities and Exchange Commission (SEC). Professor Emeritus Dr. Vinit Chovichien is Chairman and Dr. Chaipat Sahasakul and Mr. Vongchai Sangarayakul are the other members of the Nomination and Remuneration Committee. The term of office of the Nomination and Remuneration Committee is 3 years.

The Nomination and Remuneration Committee has performed work in accordance with the scope of responsibilities as assigned by the Board of Directors and as prescribed in the Nomination and Remuneration Committee's Charter. In 2016, a total of 4 Nomination and Remuneration Committee's meetings were held with all members present in every meeting. The meetings were conducted to consider and proceed with the following matters:

1. To determine the Company's Board of Directors structure including additional committees commensurated with the nature and size of business and qualifications of each director in terms of knowledge, skill, experience, specific capabilities which are beneficial to the company's business.
2. Considered, selected, and nominated a person equipped with the qualifications, knowledge and capability suitable to the Company's business for the director position and proposed to the Board of Directors for consideration and endorsement and then at the shareholders' meeting for consideration on appointment.
3. Considered the allocation of directors' remuneration for the year 2015 operating results within the amount limit as approved by the shareholders and in compliance with the specified allocation criteria.
4. Evaluated the president's performance for the year 2015, allocated his remuneration in accordance with the specified criteria, and proposed the results to the Board of Directors for endorsement.
5. Considered the budget of directors' remuneration, consisting of monthly remuneration, bonus, and meeting fees for the year 2016 by taking into account the average remuneration of the same industry, the average remuneration of the similar size with the Company, workloads and the scope of responsibilities of the Board of Directors, to be proposed to the Board of Directors and then at the shareholders' meeting for approval.
6. Considered the criteria for assessing the president's performance and setting his remuneration for the year 2016 and proposed that to the Board of Directors for endorsement.

7. Reviewed and amended the Nomination and Remuneration Committee's Charter so as to enhance its coverage and clarity in correspondence with amendments to law.

Based on the Nomination and Remuneration Committee's performance of duties as mentioned above, the Nomination and Remuneration Committee was of the opinion that the Company selected and nominated the person having full qualifications in compliance with the Securities and Exchange Act and relevant business laws by taking into account his/her knowledge, capability, and experience suitable for such a director position. The Committee also considered that the Company had in place the proper structure and composition of the Board of Directors and that the Company appropriately set the directors' remuneration in compliance with the specified criteria and within the amount limit as approved by the shareholders' meeting. Additionally, the Nomination and Remuneration Committee reported its work performance to the Board of Directors for acknowledgement after every meeting.



(Professor Emeritus Dr. Vinit Chovichien)

Chairman of the Nomination and Remuneration Committee

## REPORT OF INDEPENDENT AUDITOR

### To the Shareholders of Pylon Public Company Limited

#### *Opinion*

I have audited the consolidated financial statements of Pylon Public Company Limited and its subsidiary (the “Group”), which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statements of profit and loss and other comprehensive income, consolidated statement of changes in shareholders’ equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. I have also audited the separate financial statements of Pylon Public Company Limited (the “Company”), which comprise the separate statement of financial position as at 31 December 2016, and the separate statements of profit and loss and other comprehensive income, separate statement of changes in shareholders’ equity and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying consolidated and separate financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and cash flows for the year then ended and the separate financial position as at 31 December 2016, and its separate financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

#### *Basis for Opinion*

I conducted my audit in accordance with Thai Standards on Auditing. My responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of my report. I am independent of the Group in accordance with the Federation of Accounting Professions’ *Code of Ethics for Professional Accountants* that is relevant to my audit of the consolidated and separate financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

*Key Audit Matters*

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

The key audit matter	Audit response
<p><u>Accounting for construction contracts – including revenue and profit recognition, work in progress and provisioning</u></p> <p>The Group and Company recognized revenue from construction contracts for the year ended 31 December 2016 amounting to Baht 1,062 million and Baht 1,022 million, respectively.</p> <p>The recognition of the revenue and the related profit is based on the stage of completion of the contract. Management make this assessment by reference to the completion of the physical proportion of the contract work. Further adjustments to revenue may arise from variations to the contract requested by the customer, claims made against the contractor for delays or other conditions for which the customer is liable.</p> <p>In addition, in the determination the profit, management need to prepare suitable estimates of forecasted costs. An error in the contract forecast cost could result in a material variance in the amount of profit or loss recognised to date and therefore also in the current period.</p> <p>Refer to Notes 4.5, 9 and 10 to the consolidated and separate financial statements.</p>	<p>My audit procedures included:</p> <ul style="list-style-type: none"> <li>- understanding and evaluating managements process for determining the percentage completion of contracts</li> <li>- reviewing the reasonableness of the percentage of completion by observing physical survey of construction in progress, recalculating percentage of completion and review event after the end of period until the auditor's report date</li> <li>- reviewing the percentage of actual costs compared with the budgeted costs relative to the percentage of completion</li> <li>- understanding and evaluating the effectiveness of managements process to estimate the budgeted cost of construction by comparing the past estimations to actual costs, reviewing supporting evidences and recalculating the budgeted cost of construction of current period against actual costs after the end of period until the auditor's report date.</li> </ul>

*Other Information*

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

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

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

When I read the annual report, if I conclude that there is a material misstatement therein, I am required to request management and those charged with governance to correct the material misstatement.

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

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

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

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

*Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements*

My objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a

guarantee that an audit conducted in accordance with Thai Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

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

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

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

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

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

**Miss Sansanee Poolsawat**

Certified Public Accountant

Registration No. 6977

Grant Thornton Limited

Bangkok

24 February 2017



## PYLON PUBLIC COMPANY LIMITED AND SUBSIDIARY

## STATEMENTS OF FINANCIAL POSITION

(Unit : Baht)

		CONSOLIDATED F/S		SEPARATE F/S	
	Notes	31 December 2016	31 December 2015	31 December 2016	31 December 2015
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	7	110,860,887	113,999,475	102,741,577	113,551,375
Short term investments	8	178,514,541	427,799,092	178,511,524	427,797,092
Trade and other accounts receivable -net	6, 9	306,020,585	257,161,648	299,565,375	277,973,408
Short-term loans to subsidiary company	6	-	-	-	9,500,000
Contracted construction work in progress		1,490,727	755,319	1,398,682	755,319
Spare parts and supplies		33,045,062	32,817,745	32,761,694	32,713,879
Advances for purchases of supplies		5,598,552	7,368,488	5,598,552	7,368,488
Other current assets		6,548,133	15,892,767	4,554,050	13,590,492
<b>Total current assets</b>		<b>642,078,487</b>	<b>855,794,534</b>	<b>625,131,454</b>	<b>883,250,053</b>
<b>NON - CURRENT ASSETS</b>					
Restricted deposits with banks	11	4,520,000	21,565,000	4,520,000	11,565,000
Investment in subsidiary company - net	6, 12	-	-	17,616,836	-
Property, plant and equipment - net	13	357,846,283	263,665,263	353,339,903	253,138,166
Deposits and guarantees		4,743,678	7,424,998	2,912,141	5,051,493
Refundable income tax deducted at sources		4,260,545	12,441,929	-	-
Deferred income tax asset - net	14	2,099,918	2,721,983	2,099,918	2,721,983
<b>Total non - current assets</b>		<b>373,470,424</b>	<b>307,819,173</b>	<b>380,488,798</b>	<b>272,476,642</b>
<b>TOTAL ASSETS</b>		<b>1,015,548,911</b>	<b>1,163,613,707</b>	<b>1,005,620,252</b>	<b>1,155,726,695</b>

The accompanying notes form an integral part of these financial statements.

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## PYLON PUBLIC COMPANY LIMITED AND SUBSIDIARY

## STATEMENTS OF FINANCIAL POSITION

(Unit : Baht)

		CONSOLIDATED F/S		SEPARATE F/S	
	Notes	31 December 2016	31 December 2015	31 December 2016	31 December 2015
<b><u>LIABILITIES AND SHAREHOLDERS' EQUITY</u></b>					
<b>CURRENT LIABILITIES</b>					
Bank overdrafts	15	-	8,689,582	-	-
Trade accounts payable		115,180,450	89,903,113	111,318,680	88,129,381
Payable of fixed assets		-	23,010,605	-	23,010,605
Current portion of ;					
- Liabilities under finance lease agreements	16	6,393,032	9,622,572	6,393,032	9,268,752
- Liabilities under employee benefits obligation	6, 17	1,268,514	1,097,875	1,268,514	1,097,875
Retentions payable	9	9,377,489	9,783,520	5,496,852	2,634,117
Accrued expenses	6	37,658,223	38,639,454	38,934,127	38,062,695
Advances paid from customers		24,403,369	41,462,215	22,477,148	41,462,215
Accrued income tax		1,828,805	2,722,495	1,828,805	2,722,495
Other current liabilities		15,783,420	10,437,814	14,936,935	9,899,736
<b>Total current liabilities</b>		<b>211,893,302</b>	<b>235,369,245</b>	<b>202,654,093</b>	<b>216,287,871</b>
<b>NON - CURRENT LIABILITIES</b>					
Liabilities under finance lease agreements - net	16	3,869,113	9,082,368	3,869,113	8,958,260
Liabilities under employee benefits obligation - net	6, 17	8,952,217	8,122,839	8,642,767	7,813,389
<b>Total non - current liabilities</b>		<b>12,821,330</b>	<b>17,205,207</b>	<b>12,511,880</b>	<b>16,771,649</b>
<b>TOTAL LIABILITIES</b>		<b>224,714,632</b>	<b>252,574,452</b>	<b>215,165,973</b>	<b>233,059,520</b>

The accompanying notes form an integral part of these financial statements.

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## PYLON PUBLIC COMPANY LIMITED AND SUBSIDIARY

## STATEMENTS OF FINANCIAL POSITION

(Unit : Baht)

		CONSOLIDATED F/S		SEPARATE F/S	
	Notes	31 December 2016	31 December 2015	31 December 2016	31 December 2015
<b>LIABILITIES AND SHAREHOLDERS' EQUITY (Continued)</b>					
<b>SHAREHOLDERS' EQUITY</b>					
Share capital – common share at Baht 1 par value					
- Authorized 374,999,359 shares		374,999,359	374,999,359	374,999,359	374,999,359
- Issued and paid - up 374,936,698 shares	18.1	374,936,698	374,936,698	374,936,698	374,936,698
Share premium	18.1	153,825,441	153,825,441	153,825,441	153,825,441
Retained earnings					
- Appropriated for legal reserve	18.2	37,979,500	37,979,500	37,979,500	37,979,500
- Unappropriated	18.3	229,790,326	349,995,302	223,712,640	355,925,536
Other components of equity	12	(5,697,686)	-	-	-
<b>Total equity of the Company's shareholders</b>		790,834,279	916,736,941	790,454,279	922,667,175
Non-controlling interests in subsidiary	12	-	(5,697,686)	-	-
<b>Total shareholders' equity</b>		790,834,279	911,039,255	790,454,279	922,667,175
<b>TOTAL LIABILITIES AND</b>					
<b>SHAREHOLDERS' EQUITY</b>		1,015,548,911	1,163,613,707	1,005,620,252	1,155,726,695

The accompanying notes form an integral part of these financial statements.

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## PYLON PUBLIC COMPANY LIMITED AND SUBSIDIARY

## STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEARS ENDED 31 DECEMBER

(Unit : Baht)

	Notes	CONSOLIDATED F/S		SEPARATE F/S	
		2016	2015	2016	2015
Revenues from construction	22	1,062,712,413	1,221,311,910	1,021,754,803	1,203,763,457
Costs of construction	6	(802,960,446)	(914,391,562)	(791,298,279)	(869,907,327)
<b>Gross profit</b>		<b>259,751,967</b>	<b>306,920,348</b>	<b>230,456,524</b>	<b>333,856,130</b>
Other income	6, 19	14,746,450	15,224,897	17,391,585	14,910,229
<b>Profit before expenses</b>		<b>274,498,417</b>	<b>322,145,245</b>	<b>247,848,109</b>	<b>348,766,359</b>
Selling expenses		(1,077,571)	(1,944,537)	(1,077,571)	(1,934,537)
Administrative expenses		(69,228,496)	(76,753,041)	(67,904,441)	(70,855,781)
Reversal (loss) on impairment of investment in subsidiary	6, 12	-	-	17,616,836	(11,474,523)
Reversal (provision) for doubtful debts	9	(205,871)	(1,695,789)	40,062	(195,354)
Loss from debt reduction on subsidiary	6	-	-	(4,610,329)	-
<b>Total expenses</b>	<b>20</b>	<b>(70,511,938)</b>	<b>(80,393,367)</b>	<b>(55,935,443)</b>	<b>(84,460,195)</b>
<b>Profit before finance cost and income tax</b>		<b>203,986,479</b>	<b>241,751,878</b>	<b>191,912,666</b>	<b>264,306,164</b>
Finance cost		(1,242,643)	(2,308,561)	(1,176,750)	(1,610,486)
<b>Profit before income tax</b>		<b>202,743,836</b>	<b>239,443,317</b>	<b>190,735,916</b>	<b>262,695,678</b>
Income tax	14	(30,528,160)	(54,545,156)	(30,528,160)	(54,545,156)
<b>Profit for the year</b>		<b>172,215,676</b>	<b>184,898,161</b>	<b>160,207,756</b>	<b>208,150,522</b>
<b>Other comprehensive income for the year</b>					
<b>Item that will not be reclassified subsequently to profit or loss</b>					
Actuarial gain	14	-	599,971	-	-
<b>Total comprehensive income for the year</b>		<b>172,215,676</b>	<b>185,498,132</b>	<b>160,207,756</b>	<b>208,150,522</b>
<b>Attribution of profit (loss) for the year</b>					
Portion of the Company's shareholders		172,215,676	201,914,303	160,207,756	208,150,522
Portion of non - controlling interest in subsidiary		-	(17,016,142)	-	-
		<b>172,215,676</b>	<b>184,898,161</b>	<b>160,207,756</b>	<b>208,150,522</b>
<b>Attribution of total comprehensive income for the year</b>					
Portion of the Company's shareholders		172,215,676	202,220,288	160,207,756	208,150,522
Portion of non - controlling interest in subsidiary		-	(16,722,156)	-	-
		<b>172,215,676</b>	<b>185,498,132</b>	<b>160,207,756</b>	<b>208,150,522</b>
<b>EARNINGS PER SHARE</b>					
<b>Basic earnings per share</b>	<b>21</b>				
Profit (Baht per share)		0.46	0.54	0.43	0.56
Weighted average number of common shares (share)		374,936,698	370,954,654	374,936,698	370,954,654

The accompanying notes form an integral part of these financial statements.

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**PYLON PUBLIC COMPANY LIMITED AND SUBSIDIARY**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEARS ENDED 31 DECEMBER**

(Unit : Baht)

	Notes	Shareholders' equity of the Company							Non-controlling interests in subsidiary	Total shareholders' equity
		Paid-up share capital	Share premium	Retained earnings		Other component of equity	Total equity of the Company's shareholders			
				Appropriated for legal reserve	Unappropriated	Discount from change in holding portion in subsidiary				
<u>CONSOLIDATED F/S</u>										
Balance as at 1 January 2015		362,074,343	144,050,051	34,801,500	331,990,136	-	872,916,030	11,024,470	883,940,500	
Change in shareholders' equity										
Share increment during the year	18.1	12,862,355	9,775,390	-	-	-	22,637,745	-	22,637,745	
Appropriated for legal reserve	18.2	-	-	3,178,000	(3,178,000)	-	-	-	-	
Dividend payment	18.3	-	-	-	(181,037,122)	-	(181,037,122)	-	(181,037,122)	
Total comprehensive income (loss) for the year		-	-	-	202,220,288	-	202,220,288	(16,722,156)	185,498,132	
Total change in shareholders' equity		12,862,355	9,775,390	3,178,000	18,005,166	-	43,820,911	(16,722,156)	27,098,755	
Balance as at 31 December 2015		374,936,698	153,825,441	37,979,500	349,995,302	-	916,736,941	(5,697,686)	911,039,255	
Balance as at 1 January 2016		374,936,698	153,825,441	37,979,500	349,995,302	-	916,736,941	(5,697,686)	911,039,255	
Change in shareholders' equity										
Transfer non-controlling interests to discount from change in holding portion in subsidia	12	-	-	-	-	(5,697,686)	(5,697,686)	5,697,686	-	
Dividend payment	18.3	-	-	-	(292,420,652)	-	(292,420,652)	-	(292,420,652)	
Total comprehensive income for the year		-	-	-	172,215,676	-	172,215,676	-	172,215,676	
Total change in shareholders' equity		-	-	-	(120,204,976)	(5,697,686)	(125,902,662)	5,697,686	(120,204,976)	
Balance as at 31 December 2016		374,936,698	153,825,441	37,979,500	229,790,326	(5,697,686)	790,834,279	-	790,834,279	

The accompanying notes form an integral part of these financial statements.

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**PYLON PUBLIC COMPANY LIMITED AND SUBSIDIARY**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEARS ENDED 31 DECEMBER**

(Unit : Baht)					
			Retained earnings		
		Paid-up	Share	Appropriated for	Total
Notes	share capital	premium	legal reserve	Unappropriated	shareholders' equity
<b><u>SEPARATE F/S</u></b>					
Balance as at 1 January 2015	362,074,343	144,050,051	34,801,500	331,990,136	872,916,030
Change in shareholders' equity					
Share increment during the year	18.1	12,862,355	9,775,390	-	22,637,745
Appropriated for legal reserve	18.2	-	-	3,178,000	-
Dividend payment	18.3	-	-	-	(181,037,122)
Total comprehensive income for the year		-	-	-	208,150,522
Total change in shareholders' equity		12,862,355	9,775,390	3,178,000	49,751,145
Balance as at 31 December 2015		374,936,698	153,825,441	37,979,500	922,667,175
Balance as at 1 January 2016		374,936,698	153,825,441	37,979,500	922,667,175
Change in shareholders' equity					
Dividend payment	18.3	-	-	-	(292,420,652)
Total comprehensive income for the year		-	-	-	160,207,756
Total change in shareholders' equity		-	-	-	(132,212,896)
Balance as at 31 December 2016		374,936,698	153,825,441	37,979,500	790,454,279

The accompanying notes form an integral part of these financial statements.

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## PYLON PUBLIC COMPANY LIMITED AND SUBSIDIARY

## STATEMENTS OF CASH FLOWS

## FOR THE YEARS ENDED 31 DECEMBER

	(Unit : Baht)			
	CONSOLIDATED F/S		SEPARATE F/S	
	2016	2015	2016	2015
<b>Cash flows from operating activities</b>				
Profit before income tax	202,743,836	239,443,317	190,735,916	262,695,678
<b>Adjustments to reconcile profit before income tax to net cash provided from (used in) operating activities</b>				
Depreciation	48,047,090	44,162,295	45,401,569	39,427,363
Employee benefits expense	1,060,293	1,141,834	1,060,293	1,057,223
Reversal of provision for loss on construction project	-	(1,668,886)	-	(26,911)
Allowance (reversal of allowance) for doubtful accounts	205,871	1,695,789	(40,062)	195,354
Gain on disposal of fixed assets	(2,641,081)	(388,818)	(2,289,574)	(300,426)
Loss from debt reduction to subsidiary	-	-	4,610,329	-
Allowance (reversal of allowance) for impairment of investment in subs	-	-	(17,616,836)	11,474,523
Interest income	(6,433,262)	(9,063,144)	(6,541,211)	(9,792,352)
Interest expense	1,242,643	2,308,561	1,176,750	1,610,486
<b>Cash provided from operations before changes in operating assets and liabilities</b>	244,225,390	277,630,948	216,497,174	306,340,938
<b>Decrease (Increase) in operating assets</b>				
Trade and other accounts receivable	(49,064,808)	136,449,867	(26,162,234)	115,725,832
Contracted construction work in progress	(735,408)	16,415,332	(643,363)	2,881,304
Spare parts and supplies	(227,317)	7,042,954	(47,815)	4,049,343
Advances for purchases of supplies	1,769,936	1,613,725	1,769,936	1,489,683
Advances for subcontract work - subsidiary company	-	-	-	3,458,539
Other current assets	8,420,861	18,304,664	7,816,292	17,528,200
Deposits and guarantees	2,681,320	(2,604,715)	2,139,352	(2,936,739)
<b>Increase (decrease) in operating liabilities</b>				
Trade accounts payable	25,277,337	(78,492,531)	23,189,299	(57,516,664)
Retentions payable	(406,031)	(9,452,204)	2,862,735	(9,448,531)
Accrued expenses	(981,231)	(2,721,623)	871,432	(29,719,534)
Advances paid from customers	(17,058,846)	(19,932,402)	(18,985,067)	(19,573,015)
Other current liabilities	4,927,994	(7,457,292)	5,037,199	(2,889,040)
Paid post-employee benefits obligation	(463,780)	-	(463,780)	-
<b>Cash provided from operations</b>	218,365,417	336,796,723	213,881,160	329,390,316
Interest received	7,774,647	8,406,372	7,761,361	9,063,808
Interest payment	(839,139)	(1,919,150)	(773,246)	(1,247,358)
Refundable withholding tax deducted at sources of previous period	9,716,357	7,592,051	-	-
Income tax payment	(32,334,758)	(62,504,909)	(30,799,785)	(59,779,338)
<b>Net cash provided from operating activities</b>	202,682,524	288,371,087	190,069,490	277,427,428

The accompanying notes form an integral part of these financial statements.

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**PYLON PUBLIC COMPANY LIMITED AND SUBSIDIARY**  
**STATEMENTS OF CASH FLOWS (CONTINUE)**  
**FOR THE YEARS ENDED 31 DECEMBER**

	(Unit : Baht)			
	CONSOLIDATED F/S		SEPARATE F/S	
	2016	2015	2016	2015
<b>Cash flows from investing activities</b>				
Decrease in restricted deposits with banks	17,045,000	16,716,506	7,045,000	9,525,560
Decrease (increase) in short-term investments	249,284,551	(185,933,886)	249,285,568	(186,388,273)
Repayment of short-term loans to subsidiary company	-	-	9,500,000	16,500,000
Proceeds from disposal of fixed assets	8,503,788	3,629,726	4,777,085	2,437,850
Acquisition of fixed assets	(148,090,817)	(57,743,169)	(148,090,817)	(57,069,412)
<b>Net cash provided from (used in) investing activities</b>	<b>126,742,522</b>	<b>(223,330,823)</b>	<b>122,516,836</b>	<b>(214,994,275)</b>
<b>Cash flows from financing activities</b>				
Decrease in bank overdrafts	(8,689,582)	(3,539,333)	-	-
Repayment of payable of fixed assets	(23,010,605)	-	(23,010,605)	-
Proceeds from share increment	-	22,637,745	-	22,637,745
Repayment of liabilities under finance lease agreements	(8,442,795)	(10,789,821)	(7,964,867)	(10,338,433)
Dividend payment	(292,420,652)	(181,037,122)	(292,420,652)	(181,037,122)
<b>Net cash used in financing activities</b>	<b>(332,563,634)</b>	<b>(172,728,531)</b>	<b>(323,396,124)</b>	<b>(168,737,810)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(3,138,588)</b>	<b>(107,688,267)</b>	<b>(10,809,798)</b>	<b>(106,304,657)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>113,999,475</b>	<b>221,687,742</b>	<b>113,551,375</b>	<b>219,856,032</b>
<b>Cash and cash equivalents at end of year</b>	<b>110,860,887</b>	<b>113,999,475</b>	<b>102,741,577</b>	<b>113,551,375</b>
<b>Supplemental disclosures for cash flows information</b>				
Non - cash item :				
- The Company purchased fixed assets under finance lease agreements	-	3,527,103	-	3,527,103
- Purchase of fixed assets not to due	-	23,010,605	-	23,010,605
- Appropriated for legal reserve	-	3,178,000	-	3,178,000
- Offset trade accounts receivable with trade accounts payable	-	9,472,409	-	9,472,409
- Offset trade retentions receivable with retentions payable	-	8,042,357	-	8,042,357
- Offset trade and other accounts receivable with retentions payable	2,717,997	-	-	-
- Transfer non-controlling interests to discount from change in holding portion in subsidiary	5,697,686	-	5,697,686	-

The accompanying notes form an integral part of these financial statements.

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PYLON PUBLIC COMPANY LIMITED AND SUBSIDIARY  
 NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 31 DECEMBER 2016

1. NATURE OF OPERATIONS

The principal activity of Pylon Public Company Limited and its subsidiary (the “Group”) is the provision of foundation services using pre-stressed concrete piles, bored piles and other foundation techniques. In addition, they provide other construction services.

2. GENERAL INFORMATION AND STATEMENT OF COMPLIANCE WITH TFRSs

Pylon Public Company Limited is a public limited company listed on the Stock Exchange of Thailand which was incorporated and is domiciled in Thailand. The address of its registered office and principal place of business is 170/16 Soi Sammit (Sukhumvit 16), Rachadapisektdamai Rd., Klongtoey Sub-district, Klongtoey District, Bangkok 10110.

The accompanying consolidated and separate financial statements have been prepared in accordance with the Accounting Act B.E. 2543 and Thai Financial Reporting Standards (“TFRS”) issued under the Accounting Professions Act B.E. 2547 and the financial reporting requirements promulgated by the Securities and Exchange Commission under the Securities and Exchange Act B.E. 2535. These consolidated and separate financial statements are officially prepared in the Thai language. The translation of these consolidated and separate financial statements to another language must conform to the official report in Thai.

The consolidated and separate financial statements have been prepared on a historical cost basis except for the following items, which are measured on an alternative basis on each reporting date.

*Items*

Liabilities under employee benefits obligation

*Measurement bases*

Present value of the defined benefit obligation, as explained in Note 17

3. CHANGES IN ACCOUNTING POLICIES

3.1 New and revised standards that are effective for annual periods beginning on or after 1 January 2016

The Federation of Accounting Professions has issued new and revised TFRS effective for annual accounting periods beginning on or after 1 January 2016. The initial application of these new and revised TFRS has resulted in changes in certain of the Group’s accounting policies. These changes have no material effect on the consolidated and separate financial statements.

### 3.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group

Those new and revised TFRS that may be relevant to the Group's operations, which become effective for annual financial periods beginning on or after 1 January 2017, are set out below.

TFRS	Topic
TAS 1 (revised 2016)	Presentation of Financial Statements
TAS 2 (revised 2016)	Inventories
TAS 7 (revised 2016)	Statement of Cash Flows
TAS 8 (revised 2016)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2016)	Events After the Reporting Period
TAS 11 (revised 2016)	Construction Contracts
TAS 12 (revised 2016)	Income Taxes
TAS 16 (revised 2016)	Property, Plant and Equipment
TAS 17 (revised 2016)	Leases
TAS 18 (revised 2016)	Revenue
TAS 19 (revised 2016)	Employee Benefits
TAS 21 (revised 2016)	The Effects of Changes in Foreign Exchange Rates
TAS 23 (revised 2016)	Borrowing Costs
TAS 24 (revised 2016)	Related Party Disclosures
TAS 27 (revised 2016)	Separate Financial Statements
TAS 33 (revised 2016)	Earnings Per Share
TAS 34 (revised 2016)	Interim Financial Reporting
TAS 36 (revised 2016)	Impairment of Assets
TAS 37 (revised 2016)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2016)	Intangible Assets
TAS 105 (revised 2016)	Accounting for Investments in Debt and Equity Securities
TAS 107 (revised 2016)	Financial Instruments: Disclosure and Presentation
TFRS 5 (revised 2016)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 8 (revised 2016)	Operating Segments
TFRS 10 (revised 2016)	Consolidated Financial Statements
TFRS 12 (revised 2016)	Disclosure of Interests in Other Entities
TFRS 13 (revised 2016)	Fair Value Measurement
TSIC 15 (revised 2016)	Operating Leases – Incentives
TSIC 25 (revised 2016)	Income Taxes – Changes in the Tax Status of an Enterprise or its Shareholders
TSIC 27 (revised 2016)	Evaluating the Substance of Transactions in the Legal Form of a Lease
TSIC 32 (revised 2016)	Intangible Assets – Web Site Costs

TFRS	Topic
TFRIC 1 (revised 2016)	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRIC 4 (revised 2016)	Determining Whether an Arrangement Contains a Lease
TFRIC 5 (revised 2016)	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
TFRIC 10 (revised 2016)	Interim Financial Reporting and Impairment
TFRIC 14 (revised 2016)	TAS 19 (revised 2016) <i>Employee Benefits</i> – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
TFRIC 15 (revised 2016)	Agreements for the Construction of Real Estate
TFRIC 17 (revised 2016)	Distributions of Non-cash Assets to Owners
TFRIC 18 (revised 2016)	Transfers of Assets from Customers
FAP Announcement no. 5/2559	Accounting guidance for derecognition of financial assets and financial liabilities

The Group has made a preliminary assessment of the potential initial impact on the consolidated and separate financial statements of these revised TFRS and expects that there will be no material impact on the financial statements in the period of initial application.

#### 4. SUMMARY OF ACCOUNTING POLICIES

##### 4.1 Overall consideration

The consolidated and separate financial statements have been prepared using the significant accounting policies and measurement bases summarized below.

##### 4.2 Basis of consolidation

The Group financial statements consolidate those of the parent company and all of its subsidiaries as of 31 December 2016. All subsidiaries have a reporting date of 31 December.

All transactions and balances between Group companies are eliminated on consolidation, including unrealized gains and losses on transactions between Group companies. Where unrealized losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.

The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

#### 4.3 Foreign currency translation

##### *Functional and presentation currency*

The consolidated financial statements are presented in currency Thai Baht, which is also the functional currency of the parent company.

##### *Foreign currency transactions and balances*

Foreign currency transactions are translated into Thai Baht, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognized in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

#### 4.4 Related parties

Related parties comprise enterprises and individuals that control, or are controlled by the Group, whether directly or indirectly, or which are under common control with the Group. They also include associated companies and individuals which directly or indirectly own a voting interest in the Group that gives them significant influence over the Group, key management personnel, directors and officers with authority in the planning and direction of the Group's operations.

#### 4.5 Revenues and expenses

##### *Construction contracts*

Construction contracts specify an initial amount agreed in the contract plus may include variation in contract work.

When the outcome can be assessed reliably, contract revenue and associated costs are recognized by reference to the stage of completion of the contract activity at the reporting date.

Revenues from construction are recognized on a completion of physical proportion of the contract work. Contract revenue is measured at the fair value of consideration received or receivable.

When the Group cannot measure the outcome of a contract reliably, revenue is recognized only to the extent of contract costs that have been incurred and are recoverable.

In either situation, when it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized immediately in profit or loss.

The gross amount due from customers for contract work is presented within trade and other receivables (as unbilled accrued income) for all contracts in progress for which costs incurred plus recognized profits (less recognized losses) exceeds progress billings. The gross amount due to customers for contract work is presented within other current liabilities for all contracts in progress for which progress billings exceed costs incurred plus recognized profits (less recognized losses).

When contract cost incurred exceed estimated costs by the stage of completion, the Group recognizes the exceed amount as “Contracted construction work in progress” under current assets. In the order hand, when estimated costs by the stage of completion exceed contract cost incurred, the Group recognizes the exceed amount as “Accrued construction cost” under current liabilities.

#### *Rental income*

Rental income is recognized on a straight – line basis over the period of the lease agreement.

#### *Service income*

Service income is recognized when the service has been rendered.

#### *Interest income*

Interest income is recognized over time – period on an accrued basis.

#### *Operating expenses*

Operating expenses are recognized in profit or loss upon utilization of the service or as incurred.

### 4.6 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

#### 4.7 Cash and cash equivalents

Cash and cash equivalents include cash on hand and highly liquid cash in banks (which do not have restriction of use) that are readily convertible to cash with insignificant risk of change in value.

#### 4.8 Short - term investments

Short - term investments consist of fixed deposit and fixed deposit receipt due within 1 year. The investments are stated at cost, which is equivalent to fair value.

#### 4.9 Trade accounts receivable

Trade accounts receivable are stated at the net realizable value. Allowance for doubtful accounts is provided for the estimated losses that may incur in collection of receivables. These losses are based on historical collection experiences and the review of the current status of existing receivables.

#### 4.10 Spare parts and supplies

Spare parts and supplies are valued at the lower of cost, average method, or net realizable value and are charged to cost of construction whenever consumed.

#### 4.11 Investment in subsidiary company

Investment in subsidiary in the separate statement of financial position is accounted for by the cost method. The Company recognized a gain or loss on sale of investment in the statement of profit or loss in the year the investment is sold. In the case of impairment, the Company will recognize a loss from impairment as an expense in the statement of profit or loss. The Company recognizes dividend income upon the subsidiary's declaration of the payment.

#### 4.12 Property, plant and equipment

##### *Land*

Land is carried at cost. As no finite useful life for land can be determined, related carrying amounts are not depreciated.

##### *Buildings and other equipment*

Buildings and other equipment are initially recognized at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the Group's management. Other equipment also includes machinery and vehicles held under a finance lease

(see Note 16). Buildings and other equipment are subsequently measured at cost less accumulated depreciation and impairment losses (if any).

Depreciation is recognized on a straight-line basis to write down the cost less estimated residual value of buildings and other equipment. The following useful lives are applied:

	Years
Building and construction	5 - 20
Machinery, tools and equipment	5 - 10
Furniture, fixtures and office equipment	3 - 5
Vehicles	5

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in profit or loss within other income or other expenses.

#### 4.13 Lease assets

##### *Finance leases*

Management applies judgment in considering the substance of a lease agreement and whether it transfers substantially all the risks and rewards incidental to ownership of the leased asset. Key factors considered include the length of the lease term in relation to the economic life of the asset, the present value of the minimum lease payments in relation to the asset's fair value, and whether the Group obtains ownership of the asset at the end of the lease term.

See Note 4.12 for the depreciation methods and useful lives for assets held under finance leases.

##### *Operating leases*

All other leases are treated as operating leases. Where the Group is a lessee, payments on operating lease agreements are recognized as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

#### 4.14 Impairment testing of assets

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's (or cash-generating unit's) carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganizations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect current market assessments of the time value of money and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

#### 4.15 Trade and other accounts payable

Trade and other accounts payable are stated at cost.

#### 4.16 Equity

Share capital represents the nominal (par) value of shares that have been issued.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Other components of equity includes a discount from the increase in the shareholding in the subsidiary which arose from the book value of the subsidiary lower than the cash paid for investment. This discount will reverse if the Company disposes or decreases its shareholding in the subsidiary.

Retained earnings includes all current and prior period retained profits

All transactions with owners of the parent are recorded separately within equity.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting or Board of Directors of the Company prior to the reporting date.



#### 4.17 Short-term employee benefits and post-employment benefits

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

Short-term employee benefits, including salaries, wages, bonuses and contribution to the social security are expensed when incurred.

##### *Post-employment benefit plans*

The Group provides post-employment benefits through a defined contribution and a defined benefit plan.

##### Defined contribution plans

The Group has set up a registered provident fund that is contributed to by employees and by the Group for which assets are held in a separate trustee fund and managed by an authorised fund manager. The Group has no legal or constructive obligations to pay contributions in addition to its fixed contributions, which are recognised as an expense in the period that related employee services are received.

##### Defined benefit plans

The Group has a legal obligation to pay retirement benefits by reference to the employee's length of service and final salary. The liability recognised in the statement of financial position for defined benefit plans is the present value of the defined benefit obligation (DBO) at the reporting date.

Management estimates the DBO annually with the assistance of independent actuaries. This is based on standard rates of salary growth rate, staff turnovers and mortality. Discount factors are determined close to each year-end by reference to Thai government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability.

Actuarial gains or losses for the computation of post-employee benefits is recognized in other comprehensive income and directly transferred to retained earnings.

#### 4.18 Income tax

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Deferred income taxes are calculated using the liability method.

Deferred tax assets are recognized to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilized against future taxable income. This is assessed based on the Group's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit.

Deferred tax liabilities are generally recognized in full, although TAS 12 'Income Taxes' specifies limited exemptions.

#### 4.19 Basic earnings per share

Basic earnings per share are determined by dividing the net income for the year by the weighted average number of common shares outstanding during the year.

#### 4.20 Provisions, contingent assets and contingent liabilities

Provisions for product warranties, legal disputes, onerous contracts or other claims are recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Restructuring provisions are recognized only if a detailed formal plan for the restructuring exists and management has either communicated the plan's main features to those affected or started implementation. Provisions are not recognized for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Group is virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset. However, this asset may not exceed the amount of the related provision.

No liability is recognized if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

#### 4.21 Significant management judgement in applying accounting policies and estimation uncertainty

When preparing the financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

*Significant management judgement*

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements.

Recognition of construction contract revenues

Recognizing construction contract revenue requires significant judgment in determining actual work performed and the estimated costs to complete the work (see Note 4.5).

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognized is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilized (see Note 4.18).

*Estimation uncertainty*

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Account receivables

The Group provides allowances for doubtful accounts to reflect impairment of trade accounts receivable to estimated losses resulting from the inability of customers to make required payments. The allowances are based on consideration of historical collection experiences coupled with a review of outstanding receivables at the end of year. Actual results may be substantially different.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment.

Impairment of assets

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating units based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount. In 2016, the Company reversed an impairment of a subsidiary (see Note 12).

Defined benefit obligation (DBO)

Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of mortality, discount rate and anticipation of future salary increases. Variation in

these assumptions may significantly impact the DBO amount and the annual defined benefit expenses.

#### Construction contract revenue

Recognized amounts of construction contract revenues and related receivables reflect management's best estimate of each contract's outcome and stage of completion. For more complex contracts in particular, costs to complete and contract profitability are subject to significant estimation uncertainty (see Note 4.5).

## 5. INTERESTS IN SUBSIDIARY

### 5.1 Composition of the group

The consolidated financial statements include the financial statements of Pylon Public Company Limited and subsidiary where Pylon Public Company Limited has investments, as follows:

<u>Name of subsidiary</u>	<u>Percentage of holding</u>		<u>Nature of business</u>
	<u>2016</u>	<u>2015</u>	
Excelon Co., Ltd.	100	51	Provide the design, construction, consulting and architectural service for building/structures

#### *Subsidiary*

Subsidiary is an entity controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiary are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

During the year ended 31 December 2016, the Company increased its shareholding in the common shares of Excelon Co., Ltd. from 51% to 100%. Refer to note 12 for further details.

### 5.2 Non-Controlling interests in subsidiary

The following table summarises the information relating to the Company's subsidiary as at 31 December 2015 and for the year ended 31 December 2015.

	(Unit : Baht)
	Financial
	statements of
	subsidiary
	As at
	31 December 2015
Non-controlling interest percentage	49%
Current assets	20,413,234
Non-current assets	35,342,531
Current liabilities	(66,950,127)
Non-current liabilities	(433,558)
<b>Net assets</b>	<b>(11,627,920)</b>
Carrying amount of non-controlling interest	(5,697,686)
	For the year ended
	31 December 2015
Income	32,638,896
Loss for the year	(34,726,885)
Other comprehensive income	599,971
<b>Total comprehensive income</b>	<b>(34,126,914)</b>
Loss allocated to non-controlling interest	(17,016,142)
Comprehensive income allocated to non-controlling interest	293,986
Other comprehensive income allocated to non-controlling interest	(16,722,156)
Net cash provided from operating activities	18,754,249
Net cash provided from investing activities	352,861
Net cash used in financing activities	(20,490,721)
<b>Net decrease in cash and cash equivalents</b>	<b>(1,383,611)</b>

No dividends were paid to the non-controlling interest during the year 2015.

## 6. RELATED PARTY TRANSACTIONS

The Group has transactions with related parties that are related through common shareholding and/or directorship. Thus, the consolidated and separate financial statements reflect the effects of those transactions on the basis agreed upon between the Group and its related parties, which might be different from the basis used for transactions with unrelated parties.

*Nature of relationship*

Name of entities	Country of incorporation/ nationality	Nature of relationship
<i>Subsidiary company</i>		
Excelon Co., Ltd.	Thailand	Direct shareholders
<i>Key management</i>		
	Thai	Directors and management

Significant balances with related parties as at 31 December 2016 and 2015 are as follow:

	(Unit : Baht)			
	CONSOLIDATED F/S		SEPARATE F/S	
	2016	2015	2016	2015
<b>Balance with Excelon Co., Ltd.</b>				
<b>(Subsidiary company)</b>				
Trade accounts receivable	-	-	2,858,174	32,197,353
Other receivables	-	-	-	55,871
Short-term loan to subsidiary company	-	-	-	9,500,000
Accrued expenses	-	-	4,648,596	6,115,529
<b>Liabilities under employee benefits</b>				
<b>obligation</b>				
Key management personnel	2,160,192	1,863,543	2,160,192	1,863,543

As at 31 December 2015, short - term loans to subsidiary bear interest at MLR - 1.0 percent per annum of a domestic bank. The loans were collateralized by a personal guarantee of the subsidiary's director and was fully repaid on 30 June 2016.

Significant transactions with related parties for the years ended 31 December 2016 and 2015 are as follow:

		(Unit : Baht)			
		CONSOLIDATED F/S		SEPARATE F/S	
		For the years ended 31 December			
Pricing policy		2016	2015	2016	2015
Other income					
Material supplies margin income	Agreed rate	-	-	152,792	45,266
Management fee	Contract price	-	-	-	150,000

		(Unit : Baht)			
		CONSOLIDATED F/S		SEPARATE F/S	
		For the years ended 31 December			
	Pricing policy	2016	2015	2016	2015
Other income	Agreed price	-	-	5,559,595	1,251,974
Project management fee	Agreed price	-	-	-	1,200,000
Costs of construction					
Transactions net of cost of construction	Cost plus margin	-	-	4,435,248	-
Subcontract work	Agreed price	-	-	-	7,714,353
Other fee	Agreed price	-	-	-	2,357,646
Compensation for damage projects	Agreed price	-	-	6,394,181	-
Allowance (reversal of allowance) for impairment of investment in subsidiary	Book value which is equivalent to fair value	-	-	(17,616,836)	11,474,523
Loss from debt reduction to subsidiary	Agreed price	-	-	4,610,329	-
<u>Key directors and management personnel compensation</u>					
Current benefits for directors and management		18,834,759	19,301,677	18,634,759	18,531,677
Post-employment benefits		296,649	274,957	296,649	274,957
Total		19,131,408	19,576,634	18,931,408	18,806,634

## 7. CASH AND CASH EQUIVALENTS

		(Unit : Baht)			
		CONSOLIDATED F/S		SEPARATE F/S	
		2016	2015	2016	2015
Cash on hand		1,284,590	1,201,375	930,075	846,860
Cash at bank - Current account		25,203,093	8,076,132	25,037,279	8,045,216
Cash at bank - Savings account		84,373,204	104,721,968	76,774,223	104,659,299
Total		<u>110,860,887</u>	<u>113,999,475</u>	<u>102,741,577</u>	<u>113,551,375</u>

During the year 2016 and 2015, savings deposits with banks bear interest at 0.37 – 1.60 percent per annum (special interest rate that bank offers at that time).

8. SHORT - TERM INVESTMENTS

		(Unit : Baht)				
	Interest rate per annum	Period	CONSOLIDATED F/S		SEPARATE F/S	
			2016	2015	2016	2015
Fixed deposits	Fixed rates of 0.85 – 1.60 percent	3 - 6 months	158,514,541	2,799,092	158,511,524	2,797,092
Fixed deposit receipt	Fixed rates of 1.35 – 2.00 percent	3 months	20,000,000	425,000,000	20,000,000	425,000,000
Total			178,514,541	427,799,092	178,511,524	427,797,092

9. TRADE AND OTHER ACCOUNTS RECEIVABLE - NET

	(Unit : Baht)			
	Consolidated F/S		Separate F/S	
	2016	2015	2016	2015
Trade accounts receivable - general customers	167,910,084	96,079,953	158,388,488	92,190,339
Trade accounts receivable - subsidiary	-	-	2,858,174	32,197,353
Total	167,910,084	96,079,953	161,246,662	124,387,692
<u>Less</u> allowance for doubtful accounts	(6,336,779)	(6,130,908)	(4,590,411)	(4,630,473)
Net	161,573,305	89,949,045	156,656,251	119,757,219
Unbilled accrued income	96,208,369	120,896,864	95,422,984	115,210,057
Retentions receivable	49,078,465	47,155,293	48,325,694	43,789,815
<u>Less</u> Allowance for doubtful accounts	(839,554)	(839,554)	(839,554)	(839,554)
Net	48,238,911	46,315,739	47,486,140	42,950,261
Other accounts receivable - subsidiary	-	-	-	55,871
Total trade and other accounts receivable	306,020,585	257,161,648	299,565,375	277,973,408

## 9.1 Trade accounts receivable

As at 31 December 2016 and 2015, the aged trade accounts receivable are as follows:



(Unit : Baht)

	CONSOLIDATED F/S		SEPARATE F/S	
	2016	2015	2016	2015
<u>Trade accounts and notes receivable</u>				
<u>- general customers</u>				
Not yet due	123,378,051	38,101,094	116,842,384	38,101,094
Overdue 1 - 30 days	37,174,651	37,976,793	35,935,091	37,419,483
Overdue 31 - 60 days	857,993	10,932,627	857,992	10,805,295
Overdue 61 - 90 days	16,050	1,148,500	16,050	1,123,500
Overdue 91 - 180 days	48,150	8,249	48,150	8,718
Overdue 181 - 360 days	72,621	280,114	72,621	46,400
Overdue more than 360 days	6,362,568	7,632,576	4,616,200	4,685,849
Total	167,910,084	96,079,953	158,388,488	92,190,339
<u>Less</u> Provision for doubtful debts	(6,336,779)	(6,130,908)	(4,590,411)	(4,630,473)
Net	161,573,305	89,949,045	153,798,077	87,559,866

Trade accounts receivable- subsidiary company

Not yet due	-	-	2,427,181	-
Overdue 1 - 30 days	-	-	430,993	-
Overdue 31 - 60 days	-	-	-	13,453
Overdue 61 - 90 days	-	-	-	25,348
Overdue 91 - 180 days	-	-	-	491,274
Overdue 181 - 360 days	-	-	-	7,690,584
Overdue more than 360 days	-	-	-	23,976,694
Total	-	-	2,858,174	32,197,353

During the year, the movements in the allowance for doubtful accounts are as follows:

(Unit : Baht)

	CONSOLIDATED F/S		SEPARATE F/S	
	2016	2015	2016	2015
Beginning Balance	6,130,908	4,435,119	4,630,473	4,435,119
Increase (decrease)	205,871	1,695,789	(40,062)	195,354
Ending Balance	6,336,779	6,130,908	4,590,411	4,630,473

During the year 2016, the Subsidiary offset trade accounts receivable with retentions payable which has been overdue for payment for more than 360 days of Baht 2.72 million as per offsetting memorandum.

During the year 2015, the Company offset trade accounts receivable with relevant trade accounts payable which has been overdue for payment for more than 360 days of Baht 9.47 million as per offsetting memorandum.

## 9.2 Unbilled accrued income

			(Unit : Baht)	
	CONSOLIDATED F/S		SEPARATE F/S	
	2016	2015	2016	2015
Completed construction	27,012,668	39,573,119	26,805,868	33,886,312
Construction in progress (note 10)	69,195,701	81,323,745	68,617,116	81,323,745
Unbilled accrued income	96,208,369	120,896,864	95,422,984	115,210,057

## 9.3 Retentions receivable

			(Unit : Baht)	
	CONSOLIDATED F/S		SEPARATE F/S	
	2016	2015	2016	2015
Retentions receivable				
Completed construction	41,904,628	45,280,467	41,151,857	41,914,989
Construction in progress (note 10)	7,173,837	1,874,826	7,173,837	1,874,826
Total	49,078,465	47,155,293	48,325,694	43,789,815
<u>Less</u> Allowance for doubtful accounts	(839,554)	(839,554)	(839,554)	(839,554)
Net	48,238,911	46,315,739	47,486,140	42,950,261

These represent amounts withheld by the customers at the rate of 5 - 10 percent of the amounts billed. This will be settled after the inspection and acceptance of construction services by the customers.

During the year 2015, the Company offset retention receivable with relevant retention payable which has been overdue for payment for more than 360 days of Baht 8.04 million as per offsetting memorandum.

## 10. CONSTRUCTION CONTRACTS IN PROGRESS

The amounts recognized in the statement of financial position relating to construction contracts in progress are calculated as the net amounts of costs incurred plus recognized profits, less recognized losses and progress billings. The carrying amounts of assets and liabilities are analyzed as follows:

(Unit : Baht)

	CONSOLIDATED F/S		SEPARATE F/S	
	For the year ended 31 December			
	2016	2015	2016	2015
Aggregate amount of cost incurred and recognized profits and losses for all contracts in progress	347,859,517	155,396,719	339,849,331	155,396,719
<u>Less</u> Progress billings	<u>(278,663,816)</u>	<u>(74,072,974)</u>	<u>(271,232,215)</u>	<u>(74,072,974)</u>
Due from customers for construction contract work, recognized in trade and other receivables	<u>69,195,701</u>	<u>81,323,745</u>	<u>68,617,116</u>	<u>81,323,745</u>
<i>Other related information:</i>				
Advances paid from customers	18,890,454	32,953,736	16,967,704	32,953,736
Retention receivable	7,173,837	1,874,826	7,173,837	1,874,826

11. RESTRICTED DEPOSITS WITH BANKS

As at 31 December 2016 and 2015, fixed deposits with banks totaling Baht 4.52 million and Baht 21.57 million, respectively, in the consolidated financial statements and Baht 4.52 million and Baht 11.57 million, respectively, in the separate financial statements have been pledged with banks as collaterals for the bank guarantees for the Group's performance as well as for the bank overdraft.

12. INVESTMENT IN SUBSIDIARY COMPANY – NET

		(Unit : Baht)					
	Incorporated	Paid-up Capital (Baht)		Percentage of Shareholding (percent)		SEPARATE F/S Cost Method	
		2016	2015	2016	2015	2016	2015
<u>Subsidiary</u>							
Excelon Co., Ltd.	Thailand	30,000,000	30,000,000	100	51	40,799,970	40,799,970
<u>Less</u> Provision for impairment						<u>(23,183,134)</u>	<u>(40,799,970)</u>
Investment in the subsidiary – net						<u>17,616,836</u>	<u>-</u>

On 16 January 2016, the non-controlling shareholders of Excelon Co., Ltd. (subsidiary) transferred their holding of 3,920,000 shares, which amount to a 49% holding of the total common shares, to the Company at zero value. As a result the Company's shareholding has increased from 51% to 100%. The discount arising from the transfer of Baht 5.70 million has had been recorded in the consolidated shareholders equity as 'Discount from change in holding in subsidiary' in accordance with the requirements TFRS 10: Consolidated Financial Statements.

Since such change shareholding proportion, the Company has fully interests on the subsidiary and set new operating policy to reduce loss carrying forward. As the profit result of its operation for the year ended 31 December 2016, there was indicator to reverse the impairment loss on investment. The management assessed recoverable value by using the subsidiary's book value which is equivalent to fair value and reversed provision for impairment in investment in subsidiary amounting to Baht 17.62 million in profit or loss for the year 2016.

### 13. PROPERTY, PLANT AND EQUIPMENT – NET

(Unit : Baht)

	Consolidated F/S						
	Land	Building and construction	Machinery, tools and equipment	Furniture, fixtures and office equipment	Vehicles	Assets under constructions	Total
<b>Cost</b>							
1 January 2015	31,729,641	46,604,767	403,715,269	10,363,763	38,209,498	1,157,564	531,780,502
Acquisitions	-	6,678,468	63,238,289	1,496,916	4,857,130	8,010,074	84,280,877
Disposals	-	-	(12,104,381)	(47,034)	(3,565,877)	-	(15,717,292)
Transfer in / (out)	-	-	6,113,347	-	-	(6,113,347)	-
31 December 2015	31,729,641	53,283,235	460,962,524	11,813,645	39,500,751	3,054,291	600,344,087
Acquisitions	-	123,711	124,179,991	877,241	8,023,476	14,886,398	148,090,817
Disposals	-	-	(20,655,889)	(1,617,183)	(8,047,489)	-	(30,320,561)
Transfer in / (out)	-	983,387	14,421,980	351,429	-	(15,756,796)	-
31 December 2016	31,729,641	54,390,333	578,908,606	11,425,132	39,476,738	2,183,893	718,114,343
<b>Accumulated depreciation</b>							
1 January 2015	-	24,405,737	242,105,524	8,047,189	30,434,463	-	304,992,913
Depreciation for the year	-	2,034,079	37,248,963	1,242,063	3,637,190	-	44,162,295
Depreciation for disposals	-	-	(9,561,456)	(43,163)	(2,871,765)	-	(12,476,384)
31 December 2015	-	26,439,816	269,793,031	9,246,089	31,199,888	-	336,678,824
Depreciation for the year	-	2,410,680	41,433,927	1,320,941	2,881,542	-	48,047,090
Depreciation for disposals	-	-	(15,335,277)	(1,585,994)	(7,536,583)	-	(24,457,854)
31 December 2016	-	28,850,496	295,891,681	8,981,036	26,544,847	-	360,268,060
<b>Net book value</b>							
31 December 2015	31,729,641	26,843,419	191,169,493	2,567,556	8,300,863	3,054,291	263,665,263
31 December 2016	31,729,641	25,539,837	283,016,925	2,444,096	12,931,891	2,183,893	357,846,283

(Unit : Baht)

## Consolidated F/S

	Land	Building and construction	Machinery, tools and equipment	Furniture, fixtures and office equipment	Vehicles	Assets under constructions	Total
<b>Depreciation for the year 2015</b>							
Costs of construction							41,163,737
Selling and administrative expenses							2,998,558
Total							<u>44,162,295</u>

**Depreciation for the year 2016**

Costs of construction	45,519,454
Selling and administrative expenses	2,527,636
Total	<u>48,047,090</u>

(Unit : Baht)

## SEPARATE F/S

	Land	Building and construction	Machinery, tools and equipment	Furniture, fixtures and office equipment	Vehicles	Assets under constructions	Total
<b>Cost</b>							
1 January 2015	31,729,641	46,604,767	381,113,607	9,537,186	34,575,716	1,083,023	504,643,940
Acquisitions	-	6,678,468	62,564,532	1,496,916	4,857,130	8,010,074	83,607,120
Disposals	-	-	(11,052,209)	(47,034)	(1,429,472)	-	(12,528,715)
Transfer in / (out)	-	-	6,038,806	-	-	(6,038,806)	-
31 December 2015	31,729,641	53,283,235	438,664,736	10,987,068	38,003,374	3,054,291	575,722,345
Acquisitions	-	123,711	124,179,991	877,241	8,023,476	14,886,398	148,090,817
Disposals	-	-	(11,478,231)	(1,492,314)	(6,585,112)	-	(19,555,657)
Transfer in / (out)	-	983,387	14,421,980	351,429	-	(15,756,796)	-
31 December 2016	<u>31,729,641</u>	<u>54,390,333</u>	<u>565,788,476</u>	<u>10,723,424</u>	<u>39,441,738</u>	<u>2,183,893</u>	<u>704,257,505</u>
<b>Accumulated depreciation</b>							
1 January 2015	-	24,405,737	233,317,100	7,440,783	28,384,487	-	293,548,107
Depreciation for the year	-	2,034,079	33,331,658	1,118,059	2,943,567	-	39,427,363
Depreciation for disposals	-	-	(9,027,216)	(43,163)	(1,320,912)	-	(10,391,291)
31 December 2015	-	26,439,816	257,621,542	8,515,679	30,007,142	-	322,584,179
Depreciation for the year	-	2,410,680	38,875,391	1,265,386	2,850,112	-	45,401,569
Depreciation for disposals	-	-	(9,261,083)	(1,471,591)	(6,335,472)	-	(17,068,146)
31 December 2016	-	<u>28,850,496</u>	<u>287,235,850</u>	<u>8,309,474</u>	<u>26,521,782</u>	-	<u>350,917,602</u>
<b>Net book value</b>							
31 December 2015	31,729,641	26,843,419	181,043,194	2,471,389	7,996,232	3,054,291	253,138,166
31 December 2016	<u>31,729,641</u>	<u>25,539,837</u>	<u>278,552,626</u>	<u>2,413,950</u>	<u>12,919,956</u>	<u>2,183,893</u>	<u>353,339,903</u>

(Unit : Baht)

SEPARATE F/S						
Land	Building and construction	Machinery, tools and equipment	Furniture, fixtures and office equipment	Vehicles	Assets under constructions	Total
<b>Depreciation for the year 2015</b>						
						37,246,432
						2,180,931
						<u>39,427,363</u>
<b>Depreciation for the year 2016</b>						
						42,960,918
						2,440,651
						<u>45,401,569</u>

As of 31 December 2016, some fully depreciated assets are still in use with a total costs of Baht 193.37 million (2015: Baht 165 million) in consolidated financial statements and with a total costs of Baht 191.44 million (2015: Baht 164 million) in the separate financial statements.

As at 31 December 2016, machinery and vehicles had been acquired under finance lease agreements (Note 16), with a net book value in consolidated financial statements amounting to Baht 22.86 million, (2015 : Baht 35.09 million) and in the separate financial statements amounting to Baht 22.86 million (2015 : Baht 34.87 million).

As at 31 December 2016 and 2015, the Company's land and building have been mortgaged as collaterals for the bank overdrafts and credit line (Note 15).

#### 14. DEFERRED INCOME TAX ASSET/LIABILITY AND INCOME TAX EXPENSES

##### *Deferred income tax asset and liability*

The movements in deferred income tax assets/liabilities are as follows:

	(Unit : Baht)			
	Consolidated F/S and Separate F/S			
		Recognized as income (expense)		
	1 January 2016	Statement of profit or loss	Shareholders ' equity	31 December 2016
Deferred income tax asset:				
From provision for doubtful debts	1,094,005	(826,509)	-	267,496
From provision for employee benefits obligation	1,782,253	200,003	-	1,982,256
Total	2,876,258	(626,506)	-	2,249,752

**Deferred income tax liability:**

From difference in accumulated depreciation for equipment

	(154,275)	4,441	-	(149,834)
<b>Deferred income tax asset - net</b>	<b>2,721,983</b>	<b>(622,065)</b>	<b>-</b>	<b>2,099,918</b>

(Unit : Baht)

## Consolidated F/S and Separate F/S

	1 January 2015	Recognised as income (expense)		31 December 2015
		Statement of profit or loss	Shareholders' equity	
<b>Deferred income tax asset:</b>				
From provision for doubtful debts	1,054,935	39,070	-	1,094,005
From provision for employee benefits obligation	1,498,182	284,071	-	1,782,253
<b>Total</b>	<b>2,553,117</b>	<b>323,141</b>	<b>-</b>	<b>2,876,258</b>

**Deferred income tax liability:**

From difference in accumulated depreciation for equipment

	(158,717)	4,442	-	(154,275)
<b>Deferred income tax asset - net</b>	<b>2,394,400</b>	<b>327,583</b>	<b>-</b>	<b>2,721,983</b>

*Income tax recognised in profit or loss*

Reconciliation of income tax expenses are as follows:

(Unit : Baht)

	Consolidated F/S		Separate F/S	
	2016	2015	2016	2015
Profit before income tax expense	202,743,836	239,443,317	190,735,916	262,695,678
Tax rate	20	20	20	20
Expected tax expense	40,548,767	47,888,663	38,147,183	52,539,136
Adjustment for				
- Tax-exempt income	(4,789,088)	(7,796,135)	(8,312,455)	(255,654)
- Addition taxable	(377,000)	(222,021)	(377,000)	(222,021)
- Non-deductible expenses	1,119,679	226,811	1,070,432	2,483,695
Unrecognized deferred income tax assets	(5,974,198)	14,447,838	-	-
<b>Actual tax expenses</b>	<b>30,528,160</b>	<b>54,545,156</b>	<b>30,528,160</b>	<b>54,545,156</b>
<b>Tax expense comprises:</b>				
Current tax expense	29,906,095	54,872,739	29,906,095	54,872,739
Deferred income tax expense:				
Temporary differences	622,065	(327,583)	622,065	(327,583)
<b>Net tax expenses</b>	<b>30,528,160</b>	<b>54,545,156</b>	<b>30,528,160</b>	<b>54,545,156</b>

Income tax recognized in other comprehensive income

(Unit : Baht)

Consolidated F/S					
2016			2015		
Tax (expense)			Tax (expense)		
Before tax	benefit	Net of tax	Before tax	benefit	Net of tax
Defined benefit plan					
actuarial gains (losses)	-	-	599,971	-	599,971

As at 31 December 2016, the Company has deductible temporary differences and unused tax losses and deferred income tax assets have not been recognized as follows:

- The subsidiary's loss carrying forward of Baht 74.59 million (2015 : Baht 104.46 million) as the Company believes that future taxable profits may not be sufficient to allow utilization of the temporary differences and unused taxable losses
- Allowance for impairment on investment in subsidiary of Baht 23.18 million (2015: Baht 40.80 million) as the Company has no plan to reverse such impairment in the near future.

#### 15. BANK OVERDRAFTS

As at 31 December 2016, the Company has unused bank overdraft facilities totaling Baht 62 million (2015: Baht 67 million). Bank overdrafts facilities are collateralized by the mortgages of the Company's land and buildings. As at 31 December 2015, the Company had also pledged fixed deposits of Baht 2.50 million.

As at 31 December 2016, the subsidiary has unused bank overdraft and other credit facilities totaling Baht 309 million (2015: Baht 267 million). Those credit facilities are partially collateralized by the Company and the personal guarantees of certain subsidiary's directors and the pledge of the fixed deposits totaling Baht 10 million.

As at 31 December 2015, the subsidiary used bank overdrafts of Baht 8.69 million with interest at MOR – 0.5 percent per annum.



16. LIABILITIES UNDER FINANCE LEASE AGREEMENTS – NET

	(Unit : Baht)			
	CONSOLIDATED F/S		SEPARATE F/S	
	2016	2015	2016	2015
Liabilities under finance lease agreements	10,720,197	19,953,988	10,720,197	19,458,310
<u>Less</u> Deferred financing charges	<u>(458,052)</u>	<u>(1,249,048)</u>	<u>(458,052)</u>	<u>(1,231,298)</u>
Present value of finance lease	10,262,145	18,704,940	10,262,145	18,227,012
<u>Less</u> Current portion due within one year	<u>(6,393,032)</u>	<u>(9,622,572)</u>	<u>(6,393,032)</u>	<u>(9,268,752)</u>
Liabilities under finance lease agreements - net	<u>3,869,113</u>	<u>9,082,368</u>	<u>3,869,113</u>	<u>8,958,260</u>

	(Unit : Baht)					
	CONSOLIDATED F/S					
	2016			2015		
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
Within one year	6,768,556	(375,524)	6,393,032	10,463,888	(841,316)	9,622,572
After one year but within five years	3,951,641	(82,528)	3,869,113	9,490,100	(407,732)	9,082,368
Total	<u>10,720,197</u>	<u>(458,052)</u>	<u>10,262,145</u>	<u>19,953,988</u>	<u>(1,249,048)</u>	<u>18,704,940</u>

	(Unit : Baht)					
	Separate F/S					
	2016			2015		
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
Within one year	6,768,556	(375,524)	6,393,032	10,095,780	(827,028)	9,268,752
After one year but within five years	3,951,641	(82,528)	3,869,113	9,362,530	(404,270)	8,958,260
Total	<u>10,720,197</u>	<u>(458,052)</u>	<u>10,262,145</u>	<u>19,458,310</u>	<u>1,231,298</u>	<u>18,227,012</u>

The Group entered into hire-purchase and lease agreements for machines and vehicles. The terms of agreements are 48 - 60 months. Finance lease agreements are secured by the related assets held under the finance leases.

17. POST - EMPLOYMENT BENEFIT PLANS

## 17.1 Defined benefit plans

During the years ended 31 December 2016 and 2015, movements in employee benefits obligation are as follow:

	(Unit : Baht)	
	CONSOLIDATED F/S	SEPARATE F/S
	2016	2015
Balance as at 1 January	9,220,714	8,289,440
Provision expense for the period in statements of profit or loss	1,060,293	1,141,834
Interest expense for period in statements of profit or loss	403,504	389,411
Benefit paid	(463,780)	-
Gain from actuarial estimate in other comprehensive income	-	(599,971)
Balance as at 31 December	10,220,731	9,220,714
<u>Less</u> Current portion	<u>(1,268,514)</u>	<u>(1,097,875)</u>
Net balance as at 31 December	<u>8,952,217</u>	<u>8,122,839</u>

Principal actuarial assumptions as at 31 December 2016 and 2015 are as follows:

	Consolidated and Separate F/S
Discount rate for salary	4.54 percent per annum
Discount rate for wage	4.75 percent per annum
Mortality rate	Thai Mortality Table 2008
Future salary expense increment rate	5.26 percent per annum
Future wage expense increment rate	2.51 percent per annum
Normal retirement age	55 years and 60 years
Number of employees	474 persons

Actuarial gains or losses occurred from the change in the number of the subsidiary's employees for the computation of post-employee benefits.

*Sensitivity analysis*

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	(Unit : Baht)
	<u>Consolidated and Separate F/S</u>
	<u>Increase (decrease) in the</u>
	<u>defined benefit obligation</u>
Discount rate (0.5% increment)	(247,184)
Discount rate (0.5% decrement)	265,613
Future salary growth (0.5% increment)	261,125
Future salary growth (0.5% decrement)	(245,421)
Employee turnover (1.0% increment)	(396,102)
Employee turnover (1.0% decrement)	449,074

## 17.2 Defined contribution plan

The Company and staff have established a contributory Provident Fund. This Provident Fund has already been registered under the Provident Fund Act, B.E. 2530. Under the Fund plan, staff has to contribute to the fund at the specific rate and will be entitled to receive the fund when staff is no longer member in accordance with regulation of the fund. The Company's contribution to the Fund for the year 2016, amounted to Baht 0.90 million (2015 : Baht 0.89 million).

18. EQUITY

## 18.1 Share Capital and share premium

	2016			2015		
	Number of shares (Thousand Shares)	Common (Thousand Baht)	Share premium (Thousand Baht)	Number of shares (Thousand Shares)	Common (Thousand Baht)	Share premium (Thousand Baht)
Balance as at 1 January	374,936	374,936	153,825	362,074	362,074	144,050
Increase from exercised warrants	-	-	-	12,862	12,862	9,775
Balance as at 31 December	<u>374,936</u>	<u>374,936</u>	<u>153,825</u>	<u>374,936</u>	<u>374,936</u>	<u>153,825</u>

## 18.2 Legal reserve

Under the provision of the Public Company Act B.E. 2535, the Company is required to appropriate at least 5 percent of its annual net income, after deduction of the deficit (if any), as statutory reserve until the reserve reaches not less than 10 percent of the registered share capital. This reserve is not available for dividend distribution.

During the year 2015, the Company appropriated for legal reserve from the retained earnings amount of Baht 3.18 million to be the reserve which is not less than 10 percent of the registered share capital.

## 18.3 Dividend payment

At the Annual General Shareholders Meeting held on 22 April 2016, the shareholders passed a resolution to approve the payment of a dividend from operating results for the year ended 31 December 2015 of Baht 0.53 per share, to the common shareholders of 374,936,698 shares, totalling Baht 198.7 million. The Company has paid the dividend on 19 May 2016.

At the Board of directors No.6/2016 held on 11 August 2016, the Board of directors passed a resolution to approve the payment of an interim dividend for the six-month period ended 30 June 2016 of Baht 0.25 per share, to the common shareholders of 374,936,698 shares, totalling Baht 93.73 million. The Company has paid the dividend on 8 September 2016.

At the Annual General Meeting of the Company shareholders for the year 2015 held on 28 April 2015, the shareholders passed a resolution to approve the payment of dividend from operating results for the year 2014 at Baht 0.50 per share, to the shareholders of 362,074,343 shares, totaling Baht 181.04 million. The Company has paid dividend on 22 May 2015.

19. OTHER INCOME

	CONSOLIDATED F/S		SEPARATE F/S	
	2016	2015	2016	2015
Interest income	6,433,262	9,063,144	6,541,211	9,792,352
Rental income for machinery and equipment	302,267	108,667	5,457,023	151,722
Management fee income	-	-	-	150,000
Revenue from sales of construction materials and scraps	276,837	2,902,634	138,378	2,448,249
Gain on disposal of fixed assets	2,641,081	388,818	2,289,574	300,426
Others	5,093,003	2,761,634	2,965,399	2,067,480
Total	14,746,450	15,224,897	17,391,585	14,910,229

20. EXPENSES BY NATURE

Significant expenses by nature for the years ended 31 December 2016 and 2015 are as follows:

			(Unit : Baht)	
	CONSOLIDATED F/S		SEPARATE F/S	
	2016	2015	2016	2015
Raw materials and consumable supplies used	426,359,075	578,772,645	419,974,312	554,223,900
Changes in contracted construction work in progress	(735,408)	16,415,332	(643,364)	2,881,304
Salaries, wages and other employee benefits	160,817,795	174,468,937	155,650,254	155,614,945
Subcontractor expenses	95,585,644	55,069,054	100,970,078	52,038,328
Depreciation	48,047,090	44,162,295	45,401,569	39,427,363
Rental expenses	31,291,392	28,431,605	29,873,218	27,173,472
Repair and maintenance expenses	34,282,868	33,166,166	33,881,885	32,726,545
Transportation	14,069,013	15,074,281	12,834,413	14,734,313
Reversal of allowance for loss on construction project	-	(1,668,886)	-	(26,911)
Allowance (reversal of allowance) for loss on investment in subsidiary	-	-	(17,616,836)	11,474,523

21. BASIC EARNINGS PER SHARE

			(Unit : Baht)	
	CONSOLIDATED F/S		SEPARATE F/S	
	2016	2015	2016	2015
Numbers of common shares as at 1 January	374,936,698	362,074,343	374,936,698	362,074,343
Increase in numbers of average common shares during the year	-	8,880,311	-	8,880,311
Basic numbers of common shares as at 31 December	374,936,698	370,954,654	374,936,698	370,954,654
Net profit of the Company (Baht)	172,215,676	201,914,303	160,207,756	208,150,522
Basic earnings per shares (Baht per share)	0.46	0.54	0.43	0.56

22. SEGMENT REPORTING

The Group is engaged only in the construction business. Details of core revenues for the years ended 31 December 2016 and 2015 are as follows:

	(Unit : Baht)			
	CONSOLIDATED F/S		SEPARATE F/S	
	For the years ended 31 December			
	2016	2015	2016	2015
Foundation work	1,062,764,984	1,183,918,762	1,021,754,803	1,183,918,762
Construction work (Reversal)	(52,571)	37,393,148	-	19,844,695
Total	1,062,712,413	1,221,311,910	1,021,754,803	1,203,763,457

Major customer

For the years ended 31 December 2016 and 2015, the Group's revenues derived from Government enterprises and a private company, amounted to Baht 1,039 million and Baht 1,006 million, respectively (Company's portion : Baht 998 million and Baht 993 million, respectively).

23. DISCLOSURE OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities carried on the statement of financial position include cash and cash at banks, restricted deposits with banks, trade and other accounts receivable, trade and other accounts payable, overdraft and liabilities under finance lease agreements. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies in Note 4 to the financial statements.

Credit risk

Credit risk refers to the risk that a counter party will default its contractual obligations resulting in a financial loss to the Group. Since the major part of trade accounts receivable are well-known and there is no collection problem, management believes that the Group has no significant credit risk. Customers with credit risk are fully covered with allowance for doubtful account.

Interest rate risk

Interest rate risk arises from the fluctuation of market interest rates, which may have a negative effect to current and future operations of the Group. Management believes that the interest rate risk is minimum; hence, the Group has no hedging agreement to protect against such risk.

Exchange risk

The Group has minimum exchange risk because most of its financial assets and liabilities have been executed in Baht. Where the Group does enter into foreign currency transactions, they will utilise forward foreign exchange contracts to hedge exchange risk.

Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following methods and assumptions are used to estimate a fair value of each class of the Group's financial instruments for which it is practical to estimate that value:

- Financial assets are shown at estimated fair value.
- Financial liabilities are shown at the book value which is almost the same as the fair value, because such liabilities mature in the short term.

*Fair value measurement of financial instrument*

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability.

As at 31 December 2015, the Company has a forward exchange contract with a commercial bank to hedge the receipt and payment of liabilities in foreign currencies. The Company has not recorded financial assets and liabilities in the financial statements. The maturity dates of the open forward exchange contract is not over 1 year and are detailed as follows:

Contract Value		Contract Value	
USD currency		BAHT currency	
Consolidated and Separate F/S		Consolidated and Separate F/S	
2016	2015	2016	2015
-	641,500	-	23,010,605

The fair value which is fair value at level 2 of derivatives balance with open status on the gain as follow:

		(Unit : Baht)	
		Consolidated and Separate F/S	
		2016	2015
Fair value of forward foreign currency contract		-	294,104

24. COMMITMENT

As at 31 December 2016, the Company has commitments as follow:

- 24.1 The Company has a lease and service agreement for its office for a period of 9 years commencing from 1 June 2016 to 30 May 2025 as follows:

	Thousand Baht
<u>Commitments of operating lease agreements</u>	
Due within 1 year	1,692
Due after 1 year but within 5 years	9,259
Due after 5 years	5,017
Total	15,968

- 24.2 The Company has letters of guarantees of approximately Baht 161 million issued by financial institutions on behalf of the Group in respect of certain performance requirements in the normal course of business.

- 24.3 The Group has commitments for construction contracts which services has not been rendered of approximately Baht 321 million.

- 24.4 The Group has commitments for purchases of software of approximately Baht 4.55 million.

25. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's objectives in the management of capital is to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment policy or issue new shares or new debentures to finance debts, or sell assets to reduce debts.

26. EVENTS AFTER THE REPORTING PERIOD

At the Board of Directors Meeting of the Company held on 24 February 2017, the directors passed a resolution to approve the payment of dividend from operating results for the year ended 31 December 2016 at Baht 0.45 per share, to the common shareholders of 374,936,698 shares, totalling Baht 168.7 million. The Company has paid interim dividend during the year 2016 amounting to Baht 0.25 per share as Baht 93.7 million which the Company has the remained dividend payment amounting to Baht 0.20 per share as Baht 75.0 million. The dividend payment has to be approved from the Annual General Meeting.



27. AUTHORISATION OF FINANCIAL STATEMENTS

The consolidated and separate financial statements for the year ended 31 December 2016 (including comparatives) were approved by the Board of Directors on 24 February 2017.

## References

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