

To be an integrated construction company with continual development  
and growth under stable achievements and sustainability.



ไทยโพลีคอนส์  
Thai Polycons

# 2017

## ANNUAL REPORT

Thai Polycons Public Company Limited



## **Message from the Chairman**

Thailand's overall economy in 2017 has clearly recovered as evidenced by growth of 3.9 percent, an increase from 3.3 percent in 2016 due to the expanding consumption of the private sector, high expansion of export activities, continuous expansion of investment by the private sector, and decreasing investment by the government sector. This was in the same line to the world's improved economy. Nevertheless, the real sector, particularly the construction industry, has still suffered the bad situation due to the dropping demand for 2.3 percent, that is, the construction in the government sector dropped for 3.0 percent while the construction in the private sector declined for 1.0 percent.

In 2017, the Company has carried out the major change of its corporate resources, especially in respect with human resources. The Company appointed two senior executives: one as the Chairman of the Executive Board (Khun Kanoktip Chanpalangsri) and the other one as the President (Khun Pathompol Saosap). Both of them have engaged good knowledge and expertise, and they have been accepted in the construction business for long. They announced their intent to retain and develop the Company's vision, that is, TPOLY would earn the sustainable and prosperous growth. The operating performance in 2017 inevitably proved the efficiency of such major change. The Company's operating efficiency and profitability have been significantly rising among certain unpleasant circumstances of the construction business. All of these came from the united spirit and action of the management team and staff members who had determination and have been working hard throughout the year.

In 2018, it is anticipated that the global economy and trade would continue expanding for 3.8 percent as resulted by the accelerated economic growth in the United States and other big countries such as India, Russia, and Brazil, etc., which will indirectly take the good effect to Thailand. However, there are certain risk factors, e.g. global inflation and higher interest rate. It is anticipated that Thailand's economy in 2018 would enjoy the expansion of 3.6-4.6 percent. Investments by government and private sectors, especially in the Eastern Economic Corridor (EEC) project would become a substantial factor driving the construction industry higher. The Company has planned for its policy and operations intensively and prudently in line with the business circumstances so that its operating efficiency could be retained.

On behalf of the Board of Directors, I would to extend my sincere thanks to all related persons, either executives or staff members, or their contributions until the Company's operating performance could meet the established target. I deeply appreciated all shareholders and investors for their trust. TPOLY will continue adhering to the principle of corporate governance, and creating the construction innovation under a theme of "New Stride, Thai Polycons". Finally, we hope that we will continue receiving the support from the shareholders and investors. The Company has been determined to operate the business by taking into account the interest of all stakeholders to repay their confidence always given to the Company.

(Dr. Thanu Kulachon)

Chairman

Thai Polycons Public Company Limited

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## **PART I**

### **BUSINESS OPERATION**

## Part 1: BUSINESS OPERATION

### 1. Policy and Business Overview

#### History and Business Overview

Thai Polycons Public Company Limited or “TPOLY” was incorporated on December 26, 1988 with a registered capital of Baht one million by a group of engineers, led by Mr. Charoen Chanpalangsri who has gained vast experience in engineering, for the operation of construction business. The founders of TPOLY have envisioned the growing demand of engineering service, which is a substantial factor supporting the national economic growth. TPOLY was converted into a public limited company on March 24, 2008 and listed on the Stock Exchange of Thailand on March 4, 2009. Since the Company’s incorporation, its business has gradually been expanding and TPOLY has made a large amount of investment in other businesses in its subsidiaries, including property, trading and power, and also in other companies in the form of joint venture. Therefore, the Company’s registered capital has been gradually increased. As of February 3, 2017, the registered capital of TPOLY was Baht 692,868,493 in total (Baht six hundred and ninety-two million, eight hundred and sixty-eight thousand, four hundred and ninety-three) with the paid-up capital of Baht 566,998,107 (Baht five hundred and sixty-six million, nine hundred and ninety-eight thousand, one hundred and seven). The major shareholders are Chanpalangsri family and executives of TPOLY.

TPOLY has provided the construction service to both government and private sectors, e.g. shopping mall, horizontal and vertical buildings, industrial plant, as well as power plant. The construction service involves the civil engineering, engineering system, and landscape architecture. TPOLY mainly focuses that each construction project must be completed on schedule and under the high-standard quality. In this regard, an information system called ERP (Enterprise Resource Planning) has been used to control the Company’s cost, budget, and cash flow projection. As a result, all of the Company’s works have been widely accepted by state and private project owners. Also, TPOLY has been awarded ISO 9001:2015 by BUREAU VERITAS Certification in respect with its quality management for construction and engineering works. Business operation details of the Company, subsidiaries, and associated companies are described below.

### **Thai Polycons Public Company Limited (TPOLY)**

TPOLY operates the construction service, including design, supply, carryout, and integrated installation of engineering system provided for both government and private sectors. TPOLY may act as the main contractor or sub-contractor by means of bidding or negotiation or cooperation with other companies in the form of joint venture. The Company's service may be categorized by nature of work and installation system into 5 main types as follows:

- (1) Civil engineering
- (2) Electrical system
- (3) Air-conditioning system
- (4) Sanitation system and fire prevention system
- (5) Telecommunication system

### **TPC Asset Company Limited**

TPC Asset Company Limited ("TPCA") was incorporated on May 25, 2011. Its current registered capital is Baht 230 million whereas TPOLY holds 99.99 percent of the total of registered capital to operate the business of land and houses for sale whereas TPCA is the project developer and owner of various housing estate projects. The present active projects include Greenwich Town Home Ramintra comprising 174 units of 3-storey modern town homes, and Greenwich Prime Hathairat comprising 94 units of 2-storey single detached houses.

### **TPC Power Holding Public Company Limited**

TPC Power Holding Public Company Limited or TPCH was incorporated on December 26, 2012. It was converted into a public limited company on June 19, 2014 and listed on the Stock Exchange of Thailand on January 8, 2015 in which TPOLY holds 41.26 percent of the registered capital. TPCH operates the business by holding shares of other companies whose business operation deals with the production and sales of electricity generated by various types of renewable energy, and by providing other related supporting services for its subsidiaries' operations. TPCH has made investments in its subsidiaries and other jointly controlled entities. TPCH, currently, plans to operate the production and sales of electricity generated from biomass in 15 power plants. The main revenues of TPCH are the dividends and service fees from these companies and other new subsidiaries.

## TPC Bangkok Supply Company Limited

TPC Bangkok Supply Company Limited (“TPCB”) was incorporated on January 16, 2013 with the current registered capital of Baht 5 million in which TPOLY holds 99.99 percent of its total shares to operate the business of trading, import and export of all types of domestic and international goods. TPCB has studied the project probabilities and sought for the goods purchasing sources. The targeted goods involve goods for construction work, goods for biomass power plants, and other goods in order to boost its revenues.

To shape the business operation of TPOLY, which shall enable its stakeholders or shareholders to gain the full benefits, the Board of Directors of TPOLY defines the vision, mission, and business objectives as specified below.

### 1.1 Vision and Mission

**Vision:** *“To be an integrated construction company with continual development and growth under stable achievements and sustainability”*

#### **Mission**

**“We construct for strength** – We are determined to be a strong construction institution.”

**“We construct for our business alliances** – We are determined to be a main contractor fully trusted by subcontractors and business partners who are pleased to move forward with us.”

**“We construct for our employees** – We are determined to be an efficiency-oriented and learning-based organization by our topmost potential.”

**“We construct for our shareholders** – We are determined to allocate the best benefits to our shareholders under the Principle of Corporate Governance, and sustainable business growth.”

**“We construct for communities and society** – We are determined to support and offer all good things to our communities and society.”

**Business objectives:** TPOLY aims at the continual growth and development for its corporate stability and sustainability based on the Philosophy of Sufficient Economy together with an integration of reasonable development, modesty, good immunity and risk management systems, which are substantial conditions for sustainable development. The Company’s growth has been firmly tied with its customers’ prosperity or we may say that we both enjoy the growth together. Every business pace of TPOLY is considered carefully, and moves forward by an appropriate time and opportunity. As a result, TPOLY is able to overcome the past economic crises. The strong past experience shapes the Company’s secure and prosperous future. The

Company has been developed to achieve excellence in the business cluster under the corporate culture, which prioritizes the Company's human development, retention of operating standard along with the management of service cost, and good financial management policy. According to the Company's vision and mission, TPOLY not only focuses on its corporate development to be an integrated construction company, it has expanded its investments to other businesses in order to mitigate certain business risks, and to gain its customers and investors' trust.

## **1.2 Major Changes and Development**

Thai Polycons Public Company Limited ("TPOLY" or "Company") was found in 1988 under the name of Thai Polycons Company Limited with the initial registered capital of Baht 1 million to provide all kinds of construction services by a group of engineers, led by Mr. Charoen Chanpalangsri who has gained vast experience in engineering. When the Company has been awarded for high-value projects, its registered capital has been gradually increased to Baht 10 million, Baht 60 million, Baht 260 million, Baht 300 million, and Baht 400 million respectively. Up to now, the registered capital of TPOLY is Baht 692,868,493 in total (Baht six hundred and ninety-two million, eight hundred and sixty-eight thousand, four hundred and ninety-three only) with the paid-up capital of Baht 566,892,947 (Baht five hundred and sixty-six million, eight hundred and ninety-two thousand, nine hundred and forty-seven only).

The Company was converted into a public limited company on March 24, 2008. It was listed on the Stock Exchange of Thailand and its shares were first traded on the SET on March 4, 2009. In the same year, an information system called ERP (Enterprise Resource Planning) was first used to control the Company's cost, budget, and cash flow projection. Also, TPOLY has been awarded ISO 9001:2015 by BUREAU VERITAS Certification in respect with quality management for construction and engineering works.

**2010:** TPOLY began the operation of property development. In this regard, a subsidiary was established in which TPOLY holds 99.99 percent of shares. This subsidiary had the initial registered capital of Baht 10,000,000 (Baht ten million only). At present, the registered capital of this subsidiary totals Baht 230,000,000 (Baht two hundred and thirty million only) in the name of TPC Asset Company Limited. The present key projects include Greenwich Town Home Ramintra comprising 174 units of 3-storey modern town homes, and Greenwich Prime Hathairat comprising 94 units of 2-storey single detached houses.

**2011:** TPOLY started the business of production and sales of electricity generated from renewable energy by mainly making investments in some companies that operate the biomass power plants. The first company where the Company invested is Chang Raek Biopower

Company Limited with a portion of shares held by TPOLY at 65 percent of the registered capital amounting to Baht 10,000,000 at that time (portion of shares currently held is increased to 73.125 percent of the registered capital amounting to Baht 200,000,000). Later, TPOLY also held shares in Thungsung Green Company Limited and Bangsapan-noi Biomass Company Limited (currently defunct). At that time, neither of them has begun the commercial operation.

Later, the Meeting of the Board of Directors of Thai Polycons Public Company Limited, No. 4/2012 on November 12, 2012 resolved to restructure the shareholding structure of the energy business. A new subsidiary would be established as a holding company to operate the business by holdings shares in other companies under the name of TPC Power Holding Company Limited ("TPCH"). This new subsidiary shall hold shares in all subsidiaries that have operated the energy business according to the portion of shares held by the parent company at that time. The Board of Directors also determined that TPC Power Holding Company Limited shall lead any future investments in the energy business. Later, TPC Power Holding Company Limited was registered and converted into a public limited company on June 19, 2014. Then, it was listed on the Stock Exchange of Thailand on January 8, 2015. Currently, TPCH has the paid-up capital of Baht 401,200,000 (Baht four hundred and one million, two hundred thousand only) in which 41.26 percent of its registered capital are held by Thai Polycons Public Company Limited.

**2013:** Mr. Charoen Chanpalangsri, Managing Director and a major shareholder of TPOLY at that time, who held 52.78 percent of the registered capital passed away in an accident. The Board of Directors, therefore, resolved to appoint Mr. Chainarong Chanpalangsri, a member of the Executive Board of Directors at that time, to act as the Managing Director and Chairman of the Executive Board whereas the largest portion of shares was passed on to Mrs. Kanoktip Chanpalangsri (Mr. Charoen's wife).

In the same year, another subsidiary was established to operate the business of trading, importing and exporting all types of domestic and foreign goods in which TPOLY holds 99.99 percent of its registered capital amounting to Baht 5,000,000 (Baht five million only).

**2015:** Subject to the Annual General Meeting of Shareholders, No. 1/2015 dated May 27, it approved the Company to issue and offer for sales of 62,988,045 capital-increase ordinary shares to its existing shareholders at a ratio of 8 existing shares for 1 new share at the offering price of Baht 4.00 per share and 125,976,090 units of warrant ("TPOLY-W2) allotted to its existing shareholders who exercised their rights to purchase such new ordinary shares at a ratio of 1 new allotted share per 2 unit of warrants issued free of charge. A warrant holder of 1 unit of warrant shall be able to exercise his/her right to purchase 1 new ordinary share on the price

of Baht 3.00 per share. The first exercise date was the last business day of September 2015, and subsequent exercise dates would be on the last business day of each quarter of a calendar of each consecutive year throughout the warrant maturity period which was for 3 years since the issuing date. The first exercise date was on September 30, 2015 and June 28, 2018 was the last exercise date (as on the 6<sup>th</sup> exercise warrants according to the exercise period on December 30, 2016, the number of unexercised warrants was 125,975,546 units).

In the same year, the Meeting of the Board of Directors, No. 10/2015 approved the sale of shares of TPC Power Holding Public Company Limited (TPCH) held by TPOLY in an aggregate of 2,500,000 shares, representing 1.22 percent of the total shares of TPCH held by TPOLY at that time. This transaction helped boost the Company's financial liquidity, and lessen its financial burden.

On November 27, 2015, the Extraordinary General Meeting of Shareholders, No. 2/2015 approved the sale of shares of TPC Power Holding Public Company Limited (TPCH) held by TPOLY in an aggregate of 37,500,000 shares, representing 18.47 percent of the total shares of TPCH held by TPOLY at that time. After this sale, TPOLY held shares in TPCH in the aggregate of 165,549,960 shares, representing 41.26 percent of the total issued shares of TPCH. However, TPCH remains the Company's subsidiary although the portion of shares in TPCH as held by TPOLY may be less than 50 percent of the total issued shares of TPCH. Since TPOLY continues retaining the controlling power in TPCH, the recognition of profit (loss) in TPCH was further stated in the Company's consolidated financial statements. However, TPOLY has not yet planned to decrease its portion of shares in TPCH in the near future. The present policy is to retain the Company's portion of shares in TPCH for not less than 40 percent of the total issued shares of TPCH.

**On April 27, 2016**, the 2016 Annual General Meeting of Shareholders resolved to approve for the 2015 financial statements, omission of dividend payment for the year of 2015, appointment of directors in place of those retiring by rotation, remuneration for directors, appointment of the Company's auditors, and use of the Company's legal reserve and premium on shares to compensate the retained deficit of the Company as stated in the financial statements as of 31 December 2015.

**On September 23, 2016**, the Meeting of the Board of Directors, No. 5/2016 approved the appointment of the Chairman of the Audit Committee to replace former Chairman of the Audit Committee who wished to resign due to his health problem, that is, Dr. Supong Limtanakool (acting as the Director, Independent Director, and Member of the Audit Committee at that time)

shall replace Pol.Gen. Suthep Thamarak who acted as the Director, Independent Director, and Chairman of the Audit Committee at that time. The Board also appointed Dr. Srisuda Chongsithiphol to be the Director, Independent Director, and Member of the Audit Committee.

The new board of directors of TPOLY is listed below:

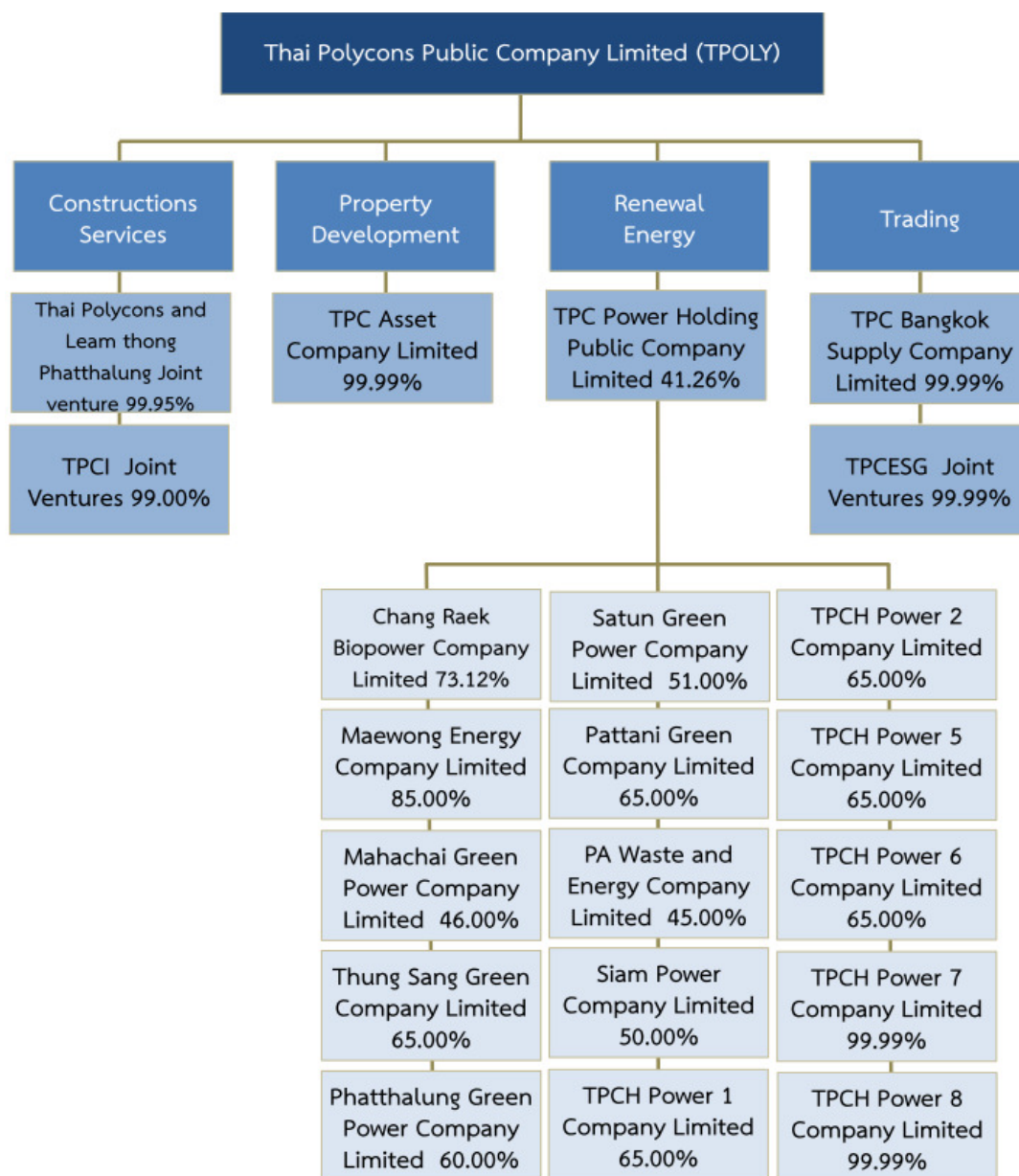
- |                                 |   |
|---------------------------------|---|
| 1) Dr. Thanu Kulachol           | Director, Independent Director, and Chairman of the Board           |
| 2) Mr. Chainarong Chanpalangsri | Director, Chairman of the Executive Board                           |
| 3) Mrs. Kanoktip Chanpalangsri  | Director, Member of the Executive Board                             |
| 4) Mr. Pathompol Saosap         | Director, Member of the Executive Board                             |
| 5) Mr. Jackrit Pongprasert      | Director, Member of the Executive Board                             |
| 6) Mr. Cherdsak Wattanavijitkul | Director  |
| 7) Dr. Supong Limtanakool       | Director, Independent Director, and Chairman of the Audit Committee |
| 8) Mr. Pornthep Sawetwannakul   | Director, Independent Director, and Member of the Audit Committee   |
| 9) Dr. Srisuda Chongsithiphol   | Director, Independent Director, and Member of the Audit Committee   |

**On January 30, 2017**, the Meeting of the Board of Directors, No. 1/2017 approved the appointment of the Chairman of the Executive Board of Directors or Mrs. Kanoktip Chanpalangsri, and also approved the appointment of the President or Mr. Pathompol Saosap to replace Mr. Chainarong Chanpalangsri, who submitted his resignation as he was struck by other affairs and wished to spend time for his family. The new executive board is listed below:

- |                                |   |
|--------------------------------|---|
| 1) Mrs. Kanoktip Chanpalangsri | Chairman of the Executive Board of Directors                          |
| 2) Mr. Pathompol Saosap        | Member of the Executive Board, President                              |
| 3) Mr. Jackrit Pongprasert     | Executive Director, Executive Vice President - Operation Engineering  |
| 4) Mr. Vikul Lohamongkol       | Executive Director, Executive Vice President – Technical Engineering  |
| 5) Mr. Adisorn Srisuksai       | Executive Director, Executive Vice President – Accounting and Finance |



## Shareholding Structure of the Group of Companies as of 31 December 2017



According to the shareholding structure of the Group of Companies as of 31 December 2017, TPOLY held shares in its subsidiaries and joint ventures as follows:

Company Name	Percentage of Shares Held	Nature of Business
TPC Power Holding Public Company Limited	41.26	(Holding company) holding shares in companies operating the production and sales of electricity

Company Name	Percentage of Shares Held	Nature of Business
		generated by renewable energy
TPC Asset Company Limited	99.99	Land and houses for sale
TPC Bangkok Supply Company Limited	99.99	Trading, importing & exporting all types of domestic and foreign goods
Thai Polycons and Laem Thong Phatthalung Joint Venture	99.95	Construction
TPCI Joint Venture	99.00	Construction

#### 1.4 Relationship between the Group of Business and Major Shareholders

The Company's core business has not been related to or connected with other businesses of any of its major shareholders significantly.

## 2. Nature of Business

The businesses operated by the Company, subsidiaries, and joint ventures may be classified as follows:

**1) Thai Polycons Public Company Limited and other joint ventures.** At present, they provide the construction service for various projects, which may be separated into the following sections:

1. Construction of high-rise residence and shopping mall buildings
2. Construction of large office buildings
3. Construction of school buildings
4. Construction of hospital buildings
5. Construction of power plants

**2) Subsidiaries.** The business group of the Company's subsidiaries may be classified as follows:

1. Property development business operated by TPC Asset Company Limited regarding the sale of land and houses whereas TPOLY is the project developer and owner.

2. Holding company by making investments in companies whose business deals with the production and sales of electricity generated from renewable energy. This is operated by TPC Power Holding Public Company Limited.

3. Trading business operated by TPC Bangkok Supply Company Limited.

## Revenue Structure

Unit: Million Baht

Transactions		Consolidated Financial Statements					
		2017		2016		2015 (revised)	
		Value	Percentage	Value	Percentage	Value	Percentage
Construction	Company	1,934.47	55.91%	1,911.41	69.15%	1,873.47	69.6%
	Joint Ventures	129.18	3.73%	10.87	0.39%	371.77	13.8%
Land and houses for sale	Subsidiary	258.18	7.46%	113.80	4.12%	103.79	3.9%
Holding company	Subsidiary	1,092.68	31.58%	672.40	24.32%	304.90	11.3%
Trading	Subsidiary	17.49	0.51%	0.00	0.00%	0.00	0.0%
Other income	Company	28.00	0.81%	55.80	2.02%	36.08	1.3%
Total revenues		3,460.00	100.00%	2,764.28	100.00%	2,690.01	100.0%

## Construction Service by Thai Polycons and other Joint Ventures

### Product or Service Features

Thai Polycons Public Company Limited provides several types of construction works, e.g. shopping mall, office building and high-rise residence building, industrial plant, and power plant. The construction service involves all related works in civil engineering, installation of engineering systems, and landscape. The Company gains these projects from bidding and business contact whereas the customers take into account the Company's experience and past achievements. The details of each service type are described below.

**1) Construction of high-rise residence and shopping mall buildings.** Previously, the Company has been engaged for the construction of high-rise residence and shopping mall buildings, which are located in Bangkok and vicinity. Currently, the business areas have been expanding to other new areas; therefore, the Company has expanded its construction areas as well. Most project owners are recognized property developers and major modern trade entrepreneurs.

**Construction projects for high-rise buildings for residence and shopping mall carried out by the Company in 2017 are as follows:**

Unit: Million Baht

Project Name	Project Owner	Total Project Value	Revenue Recognition		Remaining Revenue	Remaining Percentage
			Before 2017	2017		
1. MARINA BAYFRONT	RCK Property Co., Ltd.	337.02	338.73	4.37	-	-
2. ATARA Hotel Sriracha (All Projects)	V.M.P.C. Co., Ltd.	1,156.26	497.30	558.68	55.40	4.8%
3. NOVOTEL SRIRACHA MARINA BAY HOTEL	RCK Hotel and Residence Co., Ltd.	292.00	-	33.83	258.17	88.4%
		1,785.28	836.03	596.88	313.58	17.6%

**2) Construction of large-sized office buildings.** The Company provides the service for the construction of large-sized office buildings for both government and private sectors. The projects carried out by the Company in 2017 are listed below.

Unit: Million Baht

Project Name	Project Owner	Total Project Value	Revenue Recognition		Remaining Revenue	Remaining Percentage
			Before 2017	2017		
1. Trasor Estate	Siam Park Co., Ltd. and Trasor Estate Co., Ltd.	396.73	62.36	17.29	-	0.0%
2. SG Center Building	SG Center Co., Ltd.	197.20	217.85	2.16	-	0.0%
3. Administrative Court Yala Province	Administrative Office of the Court of Justice	385.89	261.31	124.58	-	0.0%
4. Administrative building, Hatyai International Airport	Civil Engineering Department of Air Force	267.20	-	13.57	253.63	94.9%
		1,247.01	541.52	157.60	253.63	20.3%

**3) Construction of school buildings.** The Company has been trusted by many educational institutes, either in the government or private sector, for the construction of modern school buildings. The construction projects run by the Company in 2017 are as follows:

Unit: Million Baht

Project Name	Project Owner	Total Project Value	Revenue Recognition		Remaining Revenue	Remaining Percentage
			Before 2017	2017		
1. Public Health Operation Center	Mae Fah Luang University	652.80	595.65	57.96	-	0.0%
2. Building Education Center Outreach, Prince of Songkla University	Prince of Songkla University	22.79	6.52	20.71	-	0.0%
3. Medical Research Center, Faculty of Medicine	Burapha University	848.60	243.45	413.44	235.96	27.8%
4. Multi-purpose Educational Building	Mae Fah Luang University	696.26	111.17	300.38	284.71	40.9%
		2,220.46	956.79	792.49	520.67	23.4%

**4) Construction of hospital buildings.** The Company provides the service to both government and private sectors for the construction of hospital buildings. The projects in 2017 include:

Unit: Million Baht

Project Name	Project Owner	Total Project Value	Revenue Recognition		Remaining Revenue	Remaining Percentage
			Before 2017	2017		
1. Patient Building, Patangsi Hospital	Patumraks Co.,Ltd.	185.05	-	26.66	158.43	85.6%
2. Patient Building (298 beds), Phatthalung Hospital	Phatthalung Hospital	279.81	-	6.60	273.21	97.6%
3. Intrarat Hospital	Intrarat Hospital Co.,Ltd.	523.36	-	40.83	482.53	92.2%
		988.22	-	74.09	914.17	92.5%

**5) Construction of power plants.** The Company provides the service for the construction of power plants, which involve the plant building, electricity generating building, office building, and other related utilities, e.g. road, electrical system, and pipeline system, etc., including other components such as car park, etc. The construction works may be divided into 2 types:

1. Construction plan as contracted. The Company carries out the construction according to the construction drawing determined by a client.

2. Turnkey contract. The Company provides an integrated service starting from the structure design and construction. The Company is able to propose any construction drawing and method most relevant to each customer's demand under the reasonable construction cost and shorter construction period.

**The power plant construction projects carried out by the Company in 2017 are as follows:**

Unit: Million Baht

Project Name	Project Owner	Total Project Value	Revenue Recognition		Remaining Revenue	Remaining Percentage
			Before 2017	2017		
1. Thungsung Green Power Plant	Thungsung Green Co., Ltd.	630.00	610.35	19.65	-	0.0%
2. Phatthalung Green Power Plant	Phatthalung Green Power Co., Ltd.	648.00	487.69	150.56	9.75	1.5%
3. Satun Green Power Plant	Satun Green Power Co., Ltd.	648.00	207.98	400.55	39.47	6.1%
4. Pattani Green Power Plant	Pattani Green Co., Ltd.	1,329.95	-	3.77	1,326.18	99.7%
		3,255.95	1,306.02	574.53	1,375.40	42.2%

**6) Construction of commercial buildings, shopping malls and others.** The Company provides the service for the construction of other buildings apart from those mentioned above, e.g. shopping mall, parking lot, landscape, etc., which are the extension work of the building construction or may be the separated construction work. The projects in 2017 are as follows:

Unit: Million Baht

Project Name	Project Owner	Total Project Value	Revenue Recognition		Remaining Revenue	Remaining Percentage
			Before 2017	2017		
1. Park Siri Condo Resort Bangsaen 8 (LANDSCAPE)	RCK Property Co., Ltd.	1.15	5.72	(0.20)	-	0.0%
2. Central Phuket	Central Pattana Plc.	579.44	158.10	305.52	69.61	12.0%
		580.59	163.82	305.32	69.61	12.0%

## **2.1.2 Market and Competition**

The local construction industry has been in the midst of high competition. The new projects to be awarded depended on bidding criteria under tough competition. After passing the first bidding round as a qualified bidder, the bidding price was the core consideration issue. More intense competition in these construction projects led to the price competition but lower contract price. Another factor influencing competitiveness and pricing was the acquisition of raw material sources. The fluctuating price of raw materials gave the huge impact the construction industry as the raw material cost accounted for 30-40 percent of total project cost. Except the readiness of raw materials, other competitive factors included skills, expertise, and experience of all employees and sub-contractors. The establishment of any joint venture usually aims at certain technical assistance and business alliances.

### **2.1.2.1 Competitive strategy and business policy of the Group of Companies.**

Apart from retaining the market share under a high competition and sluggish economy, the Group of Companies has placed emphasis on its long-term competitiveness by means of retaining construction standards, strict control of construction works, on-time delivery of quality work, and lower cost and expenses. The competitive strategy and business policy of the Group of Companies are as follows:

1) Reputation and quality of construction works. The Company has gained the construction experience over 28 years. It employs many staffs with great skills and expertise in construction works, and deep comprehension in this business. This is proved by the Company's survival from the 1997 tremendous economic crisis, and continuous growth until it has been widely accepted in the construction industry. The Company focuses on the construction most relevant to all requirements, good quality of work, and high safety. Furthermore, upon any changes of construction and engineering technologies, the Company is capable of utilizing them promptly. This can be seen in the Company's past works that meet international standards, and extremely satisfy the customers.

2) Past accepted performance. According to the Company's work quality and service provided previously, it has deeply satisfied the customers. The Company has been trusted by many customers who are so pleased to employ the Company, and further recommend other customers. The Company has the core policy to retain and strengthen its reputation by performing the following actions:

- Retaining the work quality in accordance with acceptable standards.
- Sustaining the professional integrity and ethics to works under contract.

- Completing each project as per the schedule agreed with the customer.
- Taking care of the customer's interest as if the Company were the project owner.
- Providing the post-sale service and other related services after the end of the service agreement.

3) Personnel's competence. The Company has the policy of promoting and developing its personnel, which is the most important asset of the Company, in order to improve its operating efficiency and competitiveness by taking the following actions:

- Improving the personnel's knowledge and competence regularly, either technical or management knowledge.
- Rooting consciousness for work responsibility.
- Building a friendly work environment.
- Forming team-working and coordination between the team of engineers and other company staffs in order to attain the objective of providing an excellent service to the customers.
- Utilizing KPI system and Balance Scorecard (BSC) in evaluating the work performance of each division and staff.

Regarding the construction service, the Company has engaged a team of engineers who has knowledge, abilities, and long working experience. The Company's management team was capable of managing the construction projects; therefore, each project could be completed as scheduled. As a result, the Company's cost became lower while its operating performance was better. In respect with daily employees who were in the construction team, the Company set up the project standards on new-coming employee training, and the requirements on the regular labor skill development. The Company also focused on the maximum work safety. It had a working team in charge of safety, which would arrange the training activities to keep all employees have knowledge and understanding in safety, inspect the work procedures, and prepare the accident prevention plan, and correct any possible working defects. These helped minimize any possible accidents, and boost the work efficiency, so the Company has less cost resulted by accidents. Regarding the employment of sub-contractors, the Company has always selected the sub-contractors who had the good and qualified work performance, delivered the works punctually, and had the specific expertise in construction.

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5) Efficient procurement. The Company established the procurement policy for transparency and better competition between raw material suppliers in order to ensure that the Company's cost was appropriate.

Regarding the Company's procurement, an efficient and transparent procurement system has been set up. The selling prices of construction equipment and materials would be compared with the construction cost charged by each sub-contractor to control the construction cost. In addition, according to the Company's management, the construction equipment and materials would be used cost-effectively. The Company had some warehouses to keep any excessive construction equipment and materials in the good condition, which might be used in other projects. Such cost management helped increase the Company's potential in the industry competition.

**2.1.2.2 Customer features, distribution, and channel of distribution.** For projects obtained by bidding, the Contract Development and Estimate Department of the Company shall coordinate with a particular customer directly. After the Company received an invitation to bid or was interested in taking part in any bid, the Contract Development and Estimate Department shall coordinate to ask for all related documents, e.g. construction drawing, other construction requirements, etc., and it shall assess the scope of work and construction cost for further submission of the price proposal. For projects obtained by negotiations, the Company was determined to tie the good relationship with each customer as it was more likely that the Company might obtain other new projects from these existing customers. The Company's targeted customers were the project owners in the private sector who had the business



credibility and secure financial status. The Company, initially, aimed at projects with high returns and low risks. The Company also tried to obtain more projects from the customers who had credibility, used to work together, and had no conflicts in working.

**The Company has gained revenues from its local construction service. Its local customers may be divided into 3 following groups:**

**Group 1: Private sector**, which included the property developers, industrial entrepreneurs, and modern trade entrepreneurs. These customers had the good reputation and financial status. In 2017, the Company's qualified works, which were delivered punctually, were acceptable; therefore, it could sustain the good relationship with its existing customers, be offered for more projects.

**Group 2: Government sector**, which included the government agencies and government-owned universities. The government-sector customers had a low risk of payments. To take part in the government bids, the Term of Reference or TOR imposed by each government agency as a client had to be considered carefully. A bidder for a government bid had to gain achievements or was in the list registered with that particular government agency. At present, the Group of Companies is in the registration list with several government entities, e.g. Department of Public Works and Town & Country Planning, Bangkok, Port Authority of Thailand, Provincial Waterworks Authority, and Airports of Thailand Plc., etc. However, the Group of Companies has the policy of registering with more government agencies to have higher ability in being employed by the government sector because the Government places the policy in serial infrastructure investments, especially electricity, mass transportation, and telecommunications.

**Group 3: Power plant construction.** The Company has developed the Energy Business Department to provide an integrated service, starting from planning, engineering design, selection of equipment and machinery, plant construction, machinery running, and machinery repairs and maintenance. The clients include the Company's subsidiaries, government sector, and private sector.

## Proportion of construction service provided to each type of customers during the past 3 years

Unit: Million Baht

Types	2017		2016		2015	
	Value	Percentage	Value	Percentage	Value	Percentage
Government	937.2	37.5	1,141.6	40.1	727.4	30.8
Private	989.1	39.6	748.4	26.3	1,105.5	46.9
Power Plants	574.5	23.0	955.7	33.6	525.0	22.3
Total	2,500.9	100.0	2,845.8	100.0	2,357.9	100.0

Note: 1. Revenue recognition as at the end of the year

2. Excluding other income

### 2.1.3 Product or Service Procurement

#### (a) Product procurement features

The construction service is the business much relying on expertise in the engineering system, including the management ability to complete the project as per each customer's demands on work quality and completion schedule under the project cost that must give some profit for the Company. The key factors determining the Company's production capacity include:

- Number of engineers, including the project directors, project managers, project engineers, and engineers.
- Number of sub-contractors with experience and expertise in each type of works
- Working capital that must be sufficient and appropriate to the scope of work.

To deliver the quality work to each customer under a limited timeframe, the number of engineers and sub-contractors in charge of each project depends on the scope and complication of each work.

**Engineers.** As of December 31, 2017, Thai Polycons Public Company has engaged 62 engineers, which involve 5 project directors, 12 project managers, 16 project engineers, and 32 general engineers.

**Sub-contractors.** The Company had 300 sub-contractors in hand. Each sub-contractor team has the working experience in the specific engineering system. The Company required that each sub-contractor make an agreement with the Company, and place the security for any advance payment equivalent to the amount drawn in order to ensure that each sub-contractor would have the power and working potential so that the Company's construction

service most satisfied the customers, and it mitigated the reliance to any particular sub-contractor, which might lead to a risk that if such sub-contractor failed to conform to the Company's regulations or left the work. Payments to sub-contractors would be in line with the portion of work completed under the inspection and approval by the project manager.

The sub-contractor's duty was to install the equipment or construction work pursuant to the construction drawing as approved by the customer and controlled by the Company's engineers and foremen.

**Working capital.** For general construction service, after the contract execution, an advanced payment shall be made to the Company in an approximate amount of 10-15 percent of the total project value. This advanced payment shall be spent as the working capital of such project. In this regard, the Company must place the advance payment bond as an exchange. The Company's performance bond must be deposited to the client throughout the project term. After the project completion and delivery, the Company's maintenance or retention bond must be placed to such employee for a period of 1-2 years. These three types of bond must be issued by a financial institution. On average, the value of all related bonds placed to each customer accounts for 20-30 percent of the total project value. As of December 31, 2017, the amount of bonds the Company had in 6 financial institutions amounted to Baht 3,661.34 million. However, the Company may demand on more credit amount from those financial institutions in the future. For any high-value bid, the project awarded may be used to guarantee the loans to be spent in the Company's operation and project finance.

**Procedures of accepting construction works** are as follows:

**1. Bidding.** The Company closely monitors the bid announcements as posted in local newspapers or advised by any consulting or design company. The Company carries out the bidding procedure as follows:

1.1 Purchase of bidding documents for estimation

1.2 Price proposal

1.2.1 Price proposal documentation. After the project selection by the Executive Board, the Company's Contract Development Department shall proceed with receiving the documents for further tendering the price proposal. These documents include the project construction model and other necessary requirements so that the Company's proposal meets the standard, and is qualified for such bidding submission.

1.2.2 Cost estimation. This is a substantial step affecting the Company's project. Very-high cost estimation may cause the Company to lose the project. Conversely, very-low

cost estimation may make the Company win the project, but it may receive the low profit or suffer some loss. Therefore, the Company emphasizes on cost estimation. In this regard, the Company will first survey the construction site to summarize the most appropriate construction model and method. Prices of construction materials, equipment, wage, and other related expenses must be examined. The competitive bidding price is also analyzed. Then, the Contract Development Department shall prepare the bidding proposal and operating plan, which shall be submitted to the Executive Board for inspection and approval before being proposed to the customer.

**2. Negotiation.** The Company may acquire a project via negotiation without tendering the bid. The Company may propose its construction service to a customer or a customer may intend to select the Company.

The Company selects each construction project by tendering the bid, or it may acquire a project by considering all related factors so that the Company's operating results are in line with the determined target, e.g. returns, creditability and payment ability of the project owner, project type and size, operating period, the Company's undelivered projects, financial sources, and personnel.

#### **Work procedures when a construction project is in progress**

**1. Work allocation.** After the project acquisition, the Contract Development Department shall have a meeting with the Project Director and the Project Manager in order to deliver the construction contract, bidding documents, and initial action plan to the Project Manager who shall be responsible for the project management together with the Project Director, which will be further delivered to other responsible departments.

**2. Appointment of the Project Manager,** who will be responsible for all aspects of the project under the control of the Project Director.

**3. Planning for project details** by the Project Manager by:

- Preparing the action plan to be relevant the project conditions and payment schedule
- Preparing the plan for money collection and payment of the project
- Preparing all steps of shop drawing to be proposed to the client who must approve for the construction drawing and construction materials
- Labor planning by classifying the workers, and estimating the number of workers for each type of work. The Company shall employ the sub-contractors for some types of work, e.g. piling work, installation of electricity and piping systems, steel roof structure, aluminum work, etc. The Company shall engage the sub-contractors who are in the list of sub-contractors

approved by the Executive Board. The employment also depends on several factors, e.g. service price, working period, past performance, responsibility in working, and financial stability.

- Planning for arranging the machinery to be used in construction.
- Preparing a temporary office, and providing certain utilities, e.g. water, electricity, telephone, internet, etc.
- Preparing the work schedule with details for each project phase.

**4. Construction undertaking.** During the construction, the controllers and supervisors of each division will coordinate to inspect, supervise, and retain the progress work as per the preset plan and schedule.

**5. Follow-up and inspection.** The Project Manager has duties of inspecting the construction correctness, sending some photos showing the construction progress to the Project Director on the daily basis, submitting the work progress report on the monthly basis by comparing the construction progress with the construction plan, and comparing the actual cost with the estimated cost. If the project is delayed from the work plan or the actual cost of any project is higher than the estimated cost or the client alters the construction drawing, the Project Manager will have a meeting with the Project Director to plan for such alteration, and to revise the work plan. The Project Director will inspect the construction site on the weekly basis, and submit the project summary to the Company's top management on the monthly basis.

**6. Delivery of work progress.** According to most construction plans, the work progress will be usually determined subject to the construction plan. Upon the completion of each construction phase, the advisor who controls the construction work will proceed with the inspection and approval before proposing such work progress to the employee to withdraw the construction progress payment as per the contract.

#### **Work procedures after project completion**

**Delivery of work.** Upon project completion, the client shall be informed to come to the project site for work inspection. For any defects, the Company shall perform correction actions until the client feels satisfied. When the client accepts the construction work and also returns the retention money after the end of warranty period (approximately 1 year in general), the client shall give back the performance bond to the Company.

#### **(a) Supplies of raw materials, equipment, and labor for construction**

To install an engineering system with the good quality and meeting the client's demand, all materials and equipment must be acquired from certain appropriate sources. The Company normally purchases materials and equipment from distributors as referred in the list of

construction materials and equipment distributors as approved by the Company for their initial acceptable quality and service only.

To procure those construction materials and equipment, the main materials and equipment for each project are usually different subject to the requirements and nature of the project determined by each client. Therefore, the Procurement Department must compile all details about the main equipment of each project for further procurement. In this regard, the Company shall arrange a bid tendered by more than 2 distributors as appropriate. The Company shall take into account the best price, good payment conditions, and qualifications of materials most relevant to the Company's demand.

For general materials much utilized in every project, the Procurement Department will make the collective purchase order to reduce the unit cost, and mitigate the risk from the fluctuation price of such raw materials. For example, the Company shall make contracts to purchase the steel bar for 1-3 months in advance, and purchase the cement for the whole project in advance.

Sustaining the good relationship with distributors of raw materials and equipment is an important factor beneficial to the Company's business operation as it will be offered a special discount, punctual delivery of materials, technical assistance, storage of unused inventories, prevention for shortage of raw materials, etc. Most raw materials and equipment distributors have contacted with the Company for years; therefore, our relationship has been good. These raw materials and equipment distributors may give some technical assistance for new products launched to the market, e.g. cooler, water circulation pump, fan coil unit, air-conditioner, automatic control equipment, etc.

Regarding the daily workers, the Company employs both Thai labors and lawful alien workers, who must be trained for their skill development regularly. For the workers in any construction projects at the southern border provinces, the Company shall employ some workers from the central region at a special rate to motivate their working, and prevent some disguising terrorists.

#### **(b) Environmental impact**

The Company places measures for the standardized construction and building system installation, which must be in conformity with any requirements and regulations prescribed by law. The Company sets priority that its operation must not give impact to the environment. The Company's workers are always trained to have knowledge and understanding about all functions in order to prevent possible accidents or danger from working, and to avoid the

environmental impact. The Company sets up a safety team to be responsible for this work directly.

**(c) Occupational safety and health practice (statistics on accidents)**

The Company and the Board of Directors of the Company have been highly concerned about life and property safety, and health at workplace. These issues are determined as the Company's policy and practice in accordance with the Ministerial Regulation on the Prescribing of Standard for Administration and Management of Occupational Safety, Health and Environment B.E. 2549, and the Occupational Safety, Health and Environment Act so as to perform duties efficiently and safely.

At present, the Company has an occupational safety team, comprising 29 persons, including:

Occupational Safety Officer at technical level and high technical level – 2 persons

Occupational Safety Officer at professional level and senior professional level – 8 persons

Occupational Safety Officer at supervisory level – 19 persons

Occupational Safety Department Manager – 1 person

**Total** 30 persons

In 2017, the Company's statistics on work accidents in all projects were as follows:

Minor accidents (stop working for less than 7 days per person) – 12 persons

Major accidents (stop working more than 7 days per person) – 2 persons

Damaged properties – 4 persons

**2.1.4 Undelivered Projects**

As of December 31, 2017, the Company had 12 undelivered projects in the total project value of Baht 3,108.98 million as detailed below.

Project	Completion Date	Total Project Value	Undelivered/ not performed yet
1. Phatthalung Green Power Plant	21 Feb 2017	648.00	9.75
2. Satun Green Power Plant	29 Oct 2017	648.00	39.47
3. Central Phuket	1 Dec 2017	579.44	69.61
4. ATARA Hotel Sriracha	28 Dec 2017	1,156.26	55.40
5. Multi-purpose Educational Building	16 Aug 2018	696.26	284.71
6. Medical Research Center, Faculty of Medicine, Buraph	14 Sep 2018	848.60	235.96
7. Administrative building, Hatyai International Airport	23 Oct 2018	267.20	253.63
8. Patient Building, Patrangsit Hospital	16 Nov 2018	185.05	158.43
9. Pattani Green Power Plant	30 Jun 2019	1,329.95	1,326.18
10. NOVOTEL SRIRACHA MARINA BAY HOTEL	31 Jul 2019	292.00	258.17
11. Intrarat Hospital	20 Aug 2019	523.36	482.53
12. Patient Building (298 beds), Phatthalung Hospital	14 Feb 2020	279.81	273.21
		7,453.93	3,447.07

## 2.2 Property Development Business

TPC Asset Company Limited was established on May 25, 2011 in which Thai Polycons Public Company Limited holds 99.99 percent of shares. Its initial registered capital was Baht 10 million and has been increased to be Baht 230 million at present. TPCA operates the business of land and houses for sale. It starts from sales of land and houses, and it now becomes the project developer and project owner.

### 2.2.1 Product or Service Features

At present, TPCA carries out the land and houses development projects, sales of land and houses, and owns many land and house projects. Its development projects shall be based on the conventional construction method. As a result, the house structure will be full of quality whereas other decoration and architecture work can be added attractively and relevantly to the design. Every construction step is carefully inspected to be in line with all criteria and regulations so that each quality, accepted, and standardized house unit can be delivered to every client. TPCA aims at the steady growth. At first glance, TPCA would like to make the product brand be recognized in the market. It has determination to build the quality products and service giving the highest satisfaction to clients.

The current projects operated by TPCA include Greenwich Town Home Ramintra. It is located at 988, Ramintra Road, between Km. 12-13, close to Makro Ramintra in the project area of 16 Rai-3 Ngarn-98 Square Wah with a project value of Baht 740 million in total. This project consists of 174 units of 3-storey modern town homes under the usable area of 193 Square Meters per each. At present, all project utilities and house construction work have been



absolutely completed and approximately 86 percent of house units could be sold. It was anticipated that this project could be closed by 2017.

Another project is Greenwich Prime Expressway Ramintra-Hathairat with a project value of Baht 370 million. It is located on an area of 20 Rai. This project consists of 94 units of 2-storey single detached houses with a usable area of 125-180 Square Meters per each. The project sale started at the end of 2017, and, up to now, about 53 percent of houses have been sold. The project revenue would be continuously recognized, and it was anticipated that this project could be closed by 2018.

### **2.2.2 Market and Competition**

Real estate market is forecast to rebound in 2018 as the economy continues to recover, more investment from both the private and public sectors by Bangkok's residential property market will be growth in the range of 5 to 7 per cent in terms of number of units and project value.

The development of residential projects next year will continue to focus on areas accessible by the train network, especially the Orange Line, the Blue Line, and the extension of the Green Line that is currently in progress. The market will expand to the outskirts of Bangkok, with the trains making it convenient for people to travel into the city. As for the single home and townhouse market in the outskirts of the city, the outlook is that the rate of expansion will be low, with traffic issues accounting for the main factor hampering growth. Also, single home and townhouse projects are generally far from the train lines. There are very few plans to build new roads to accommodate the number of cars and ease traffic issues. The condominium market thus has an advantage to being close to the train lines; moreover, they don't require huge plots of land for development.

### **Business Situation**

For the 3-storey townhome in 2017, the total of 29 units has been pre-sold and 23 out of them transferred already. If compared with 2016, the total units that were pre-sold decreased for more than 20 percent, because of the project have been sold out and transferred more than 99 percent.

Regarding single detached houses, in 2017, there were 88 pre-sale units and 42 units have been transferred. If compared with 2016, the total units that were pre-sold increased for more than 96 percent, This meant the existing demand on single detached houses. The Project always examines the credit and pre-approval before making a contract with each client, and also advises the client on credit revision while waiting for the completion of house construction.

**Table showing the number of pre-sold units and the remaining units after the cancellation of pre-sale for Greenwich Town Ramintra**

Transactions	2017			2016		
	1st Half	2nd Half	Total	1st Half	2nd Half	Total
Number of pre-sold units	14	15	29	26	10	36
Number of remaining units after the cancellation of pre-sale	12	11	23	11	5	16
Number of transferred units	7	16	23	16	8	24

**Table showing the number of pre-sold units and the remaining units after the cancellation of pre-sale for Greenwich Prime (Single Detached House)**

Transactions	2017			2016		
	1st Half	2nd Half	Total	1st Half	2nd Half	Total
Number of pre-sold units	46	42	88	-	45	45
Number of remaining units after the cancellation of pre-sale	15	13	28	-	39	39
Number of transferred units	18	24	42	-	1	1

Note: Cancellation means a client changes his/her mind or is not approved by a financial institution.

### 2.2.3 Supplies of Products or Services

#### 1) Purchase of land

Land is a core asset for the business operation of TPCA; it accounts for 30-40 percent of its total cost. Therefore, TPCA greatly focuses on land acquisition for its projects. Each plot of land must have potential and be in the urban area so that, after the project development, a particular project can be sold and closed in a short period. Before each land acquisition, TPCA will conduct a feasibility study by surveying the market condition and competition as well as clients' demands in that target area for market opportunities of TPCA. Then, TPCA will proceed with negotiations for land acquisition. In most cases, TPCA acquires the land through real estate agents or it may contact a land owner directly by comparing between the selling price and the appraisal price or market price that is appropriate. TPCA has no policy to purchase any plot of land to be stocked for long before starting the project development.

## **2) Supply of sub-contractors and construction**

TPCA selects many medium-sized and small-sized sub-contractors by fixing wages including labor cost and construction materials for them. TPCA controls the work quality and construction cost to meet the criteria it determines. This helps mitigate its risk of sub-contractor shortage.

2.1) TPCA mostly helps negotiate about prices of construction materials with the construction material suppliers for sub-contractors so that such offered prices are fixed for the sub-contractors for a period. The sub-contractors will purchase the materials from the suppliers who have negotiated with TPCA. As a result, the sub-contractors engaged by the Company are able to control their cost better.

2.2) At present, there are several sub-contractors who have continuously provided their construction service to TPCA. If any sub-contractor is unable to take on any project, the other sub-contractor can be replaced promptly.

## **3) Delivery of work**

TPCA makes payments for construction works to each sub-contractor based on the work progress as specified in the construction contract and after the work inspection together with the client only. A payment to the sub-contractor is deductible from the retention money in each period for 2.5-5.0 percent of work value delivered. The sub-contractors engaged by the Company are the medium-sized construction companies with good experience and expertise in construction, good and quality service, secure financial status, and good commercial credit; therefore, their work meets the good quality to a certain extent. TPCA also assigns a team to inspect the construction quality, arranges training courses for staffs in charge of controlling the construction work and construction engineering of the Company and those sub-contractors, and provides the manual on construction standards and house inspection standards. For monitoring the construction progress, the Company's construction controller will regularly report the work progress. Any construction delay will be solved in time. If an old sub-contractor fails to deliver its work as scheduled, a new sub-contractor will be replaced immediately.

**2.3 Holding Shares in Companies Operating the Production and Sales of Electricity Generated from Renewable Energy (Holding Company).** This business has been operated by TPC Power Holding Public Company Limited.

### 2.3.1 Product or Service Features

TPOLY holds 41.26 percent of shares in TPC Power Holding Public Company Limited (TPCH) that is a holding company making investments in companies that operate the production and sales of electricity generated from renewable energy, and providing other related supporting services for operations of its subsidiaries. TPCH has made investments in 15 companies with plans for the production and sales of electricity generated from renewable energy, that is, 13 out of them had plans for the production and sales of electricity, and 2 of them had a plan for the production and sales of refuse derived fuel (RDF). The main revenues of TPCH derive from dividends from holding shares in other companies as well as other revenues from providing the supporting services for operations of its subsidiaries. As of February 9, 2018, there were 6 biomass power plants that have already achieved their commercial operations, including:

1. CRB – Commercial Operation Date on March 15, 2013
2. MWE – Commercial Operation Date on October 12, 2015
3. MGP – Commercial Operation Date on April 8, 2016
4. TSG – Commercial Operation Date on October 3, 2016
5. TSG – Commercial Operation Date on July 7, 2017
6. SGP – Commercial Operation Date on February 9, 2018

The subsidiaries and other jointly controlled entities of TPCH have operated the business of production and sales of electricity generated from biomass and municipal solid waste to be sold to the government sector in accordance with a policy of the Energy Policy and Planning Office, Ministry of Energy, which encourages the production and use of electricity as generated by alternative energy. In this regard, such businesses are supported by the government in forms of adder rates, Feed in Tariffs (FiT) scheme, and other tax incentives, etc. The significant details about power plants that have been granted the operation licenses in 11 projects in 11 subsidiaries (*excluding BBRP as it has been on process of business shutdown*) are as follows:

Company	Shareholding in TPCH (percent)	Location of Power Plant Project	Type of Fuel	Total Production Capacity/ Production Capacity for Sale and Purchase (megawatts)	Project Status
Already in commercial operations					
1. Chang Raek Biopower Co., Ltd.	73.12	Amphoe Thung Song, Nakhon Si	Biomass from rubber tree and palm	9.9/9.2 FiT	COD on March 15, 2013

Company	Shareholding in TPOCH (percent)	Location of Power Plant Project	Type of Fuel	Total Production Capacity/ Production Capacity for Sale and Purchase (megawatts)	Project Status
(CRB)		Thammarat	oil		
2. Maewong Energy Co., Ltd. (MWE)	85.0	Amphoe Mae Wong, Nakhon Sawan	Rice husk and woodchip	9.0/8.0 FiT	COD on October 12, 2015
3. Mahachai Green Power Co., Ltd. (MGP)	46.0*	Amphoe Muang, Samut Sakhon	Biomass from coconut tree	9.5/8.0 FiT	COD on April 8, 2016
4. Thungsung Green Co., Ltd. (TSG)	65.0	Amphoe Thung Yai, Nakhon Si Thammarat	Biomass from rubber tree and palm oil	9.5/9.2 FiT	COD on October 3, 2016
5. Phatthalung Green Power Co., Ltd. (PGP)	60.0	Amphoe Pak Phayun, Phatthalung	Biomass from rubber tree and palm oil	9.9/9.2 FiT	COD on July 7, 2017
6. Satun Green Power Co., Ltd. (SGP)	51.0	Amphoe Khuan Kalong, Satun	Biomass from rubber tree and palm oil	9.9/9.2 FiT	COD on February 9, 2018
Under construction					
7. Pattani Green Co., Ltd. (PTG)	65.0	Amphoe Nong Chik, Pattani	Biomass from rubber tree and palm oil	23/21 Adder	Under construction. Completion expected by Quarter 2 of 2018
8. TPOCH Power 1 Co., Ltd. (TPCH1)	65.0	Amphoe Muang, Yala, Yala	Biomass from rubber tree and palm oil	9.9/9.2 FiT	Under construction. Completion expected by Quarter 3 of 2018
9. TPOCH Power 2 Co., Ltd. (TPCH2)	65.0	Amphoe Muang, Yala, Yala	Biomass from rubber tree and palm oil	9.9/9.2 FiT	Under construction. Completion expected by Quarter 3 of 2018
10. TPOCH Power 5 Co., Ltd. (TPCH5)	65.0	Amphoe Muang Narathiwat, Narathiwat	Biomass from rubber tree and palm oil	6.3/6.3 FiT	Under construction. Completion expected by Quarter 4 of 2018
Under project development					
11. Siam Power Co.,	50.0*	Amphoe Sai Noi,	Municipal solid	9.5/8.0 FiT	Has submitted the

Company	Shareholding in TPOCH (percent)	Location of Power Plant Project	Type of Fuel	Total Production Capacity/ Production Capacity for Sale and Purchase (megawatts)	Project Status
Ltd. (SP)		Nonthaburi	waste from		proposal for sales of electricity (Aor. 1), and RorNgor.4 has been approved by all related agencies.

\*Jointly controlled entities

\*\*Total production capacity exceeds the production capacity for sale and purchase. The power plant can produce the electricity for its internal use.

### Status of licenses and significant contracts of TPOCH, subsidiaries and jointly controlled entities

Company	Letter of Intent Notified	PPA with PEA	Permit for Factory Operation (Ror.Ngor.4)	BOI Certificate
1. Chang Raek Biopower Co., Ltd. (CRB)	Already notified	Already executed	Already granted	Already granted
2. Maewong Energy Co., Ltd. (MWE)	Already notified	Already executed	Already granted	Already granted
3. Mahachai Green Power Co., Ltd. (MGP)	Already notified	Already executed	Already granted	Already granted
4. Thungsung Green Co., Ltd. (TSG)	Already notified	Already executed	Already granted	Already granted
5. Phatthalung Green Power Co., Ltd. (PGP)	Already notified	Already executed	Already granted	Already granted
6. Satun Green Power Co., Ltd. (SGP)	Already notified	Already executed	Already granted	Already granted
7. Pattani Green Co., Ltd. (PTG)	Already notified	To be executed	Application for the Permit submitted	Already granted
8. TPOCH Power 1 Co., Ltd. (TPCH1)	Already notified	Already executed	Application for the Permit submitted	Application for the Certificate submitted
9. TPOCH Power 2 Co., Ltd. (TPCH2)	Already notified	Already executed	Application for the Permit submitted	Application for the Certificate submitted
10. TPOCH Power 5 Co., Ltd. (TPCH5)	Already notified	Already executed	Application for the Permit submitted	Application for the Certificate submitted
11. Siam Power Co., Ltd. (SP)	Already notified	Already executed	Already granted	Application for the Certificate submitted

## 2.3.2 Market and Competition

**2.3.2.1 Competitive Strategy.** The business operation of TPC Power Holding Public Company Limited, which involves 15 subsidiaries whose 6 power plants have already begun their commercial operations, 4

power plants have been under construction, and 8 power plants have submitted applications for license, is the production and sales of electricity to PEA and EGAT under the long-term PPAs with PEA and EGAT that would purchase all units of electricity generated, but not exceed the quantity as stated in the PPAs made with PEA and EGAT under a condition on the sale price that must be the market price and at the same rate paid by PEA to other power producers who have made the PPAs in the same manner. There are 2 electricity purchase systems:

1. Adder system – A power project shall be subsidized with an adder of Baht 0.30 per unit during 7 years of generating electricity from biomass, and of Baht 1 per unit during 7 years for a power plant project located at 3 southern border provinces and 4 special districts at Songkhla.

2. Feed in Tariff (FiT) system – An electricity price shall be the rate announced by EGAT and a power project shall be subsidized with FiT premium of Baht 0.30 per unit for a period of 8 years for the generation of electricity from biomass, and of Baht 0.5 for the whole project term for the power plant project located at 3 southern border provinces and 4 special districts at Songkhla.

Regarding an acquisition of the Power Purchase Agreement (“PPA”) for biomass fuel, the Provincial Electricity Authority (PEA), at present, purchases the electricity generated from biomass fuel based on price. The Energy Regulatory Commission shall fix the electricity purchase quota in each area, and the purchase timeframe based on price in each of its announcement for purchase of electricity generated from biomass.

According to the Alternative Energy Development Plan, the production capacity of biomass power plants is targeted at 25 percent in 10 years (Year 2012 – 2021). If compared with the current production capacity of total biomass power plants, it is likely that TPCH could expand its business.

Nevertheless, for the generation of biomass-fuelled electricity, the subsidiaries need to acquire some fuels in an appropriate quantity and price to enhance the highest revenue and profit. As TPCH and its subsidiaries own no fuel sources, and must purchase such fuels from other suppliers so they may have to compete with other power producers to approach the same

fuel sources. Therefore, TPCH formulates certain substantial strategies for its competitiveness and the leading biomass-fuelled power producer in Thailand and this region. The significant strategies implemented for current and future projects of TPCH and its subsidiaries are as follows:

**1) Business alliances to approach fuel sources:** During the feasibility study of each project, TPCH defines a principle of developing its power plant in any area where it is highly likely that it contains sufficient core and alternative fuel sources to feed such power plant throughout the year and project term. TPCH would study all related information, and survey any fuel sources around the project whether that fuel could be delivered to the project cost-effectively or not.

**2) Business alliances with business expertise:** EnBw is one of key business alliances of TPCH. EnBw holds a secure financial status and expertise in the international energy business. As one of the largest power production and distribution companies in Germany and Europe, EnBw could transfer its knowledge and experience in operating many power plants to TPCH.

Another key business alliance is VSPP, a major shareholder of CRB by holding 16.88 percent of shares. VSPP has operated CRB and TSG power plants under the Operation and Maintenance Agreement whereas VSS has gained long experience in management and investments in biomass power plant projects, has had good relationship with communities around those power plants, and has been able to supply the fuel around power plants sufficiently and consistently.

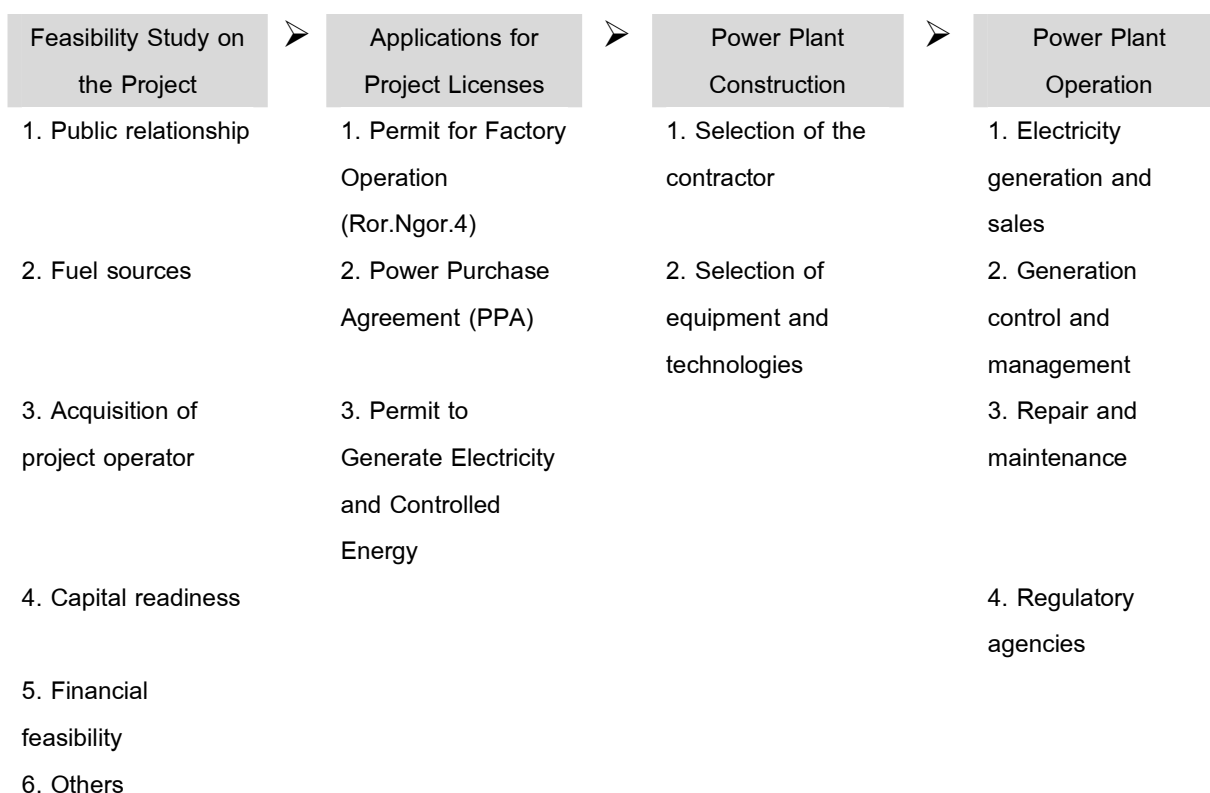
**3) Selection of creditable and acceptable technologies.** This would affirm key stakeholders, e.g. client or PEA, financial institutions granting loans, and surrounding communities that the subsidiaries' power plant projects hold potential to produce and sell the electricity to PEA regularly and efficiently, which results to the consistent revenues, and better opportunities for repayments as scheduled. The generation process that is acceptable, friendly to the environment, and harmless to any communities would make the power plant projects to be developed by TPCH in the future be accepted by these stakeholders who would further support the project success in the future.

**4) Management team with engineering skills and expertise and experience in power plant projects,** which would enable TPCH to develop and manage such projects efficiently.



### 2.3.3 Supplies of Products or Services

The core business of TPC Power Holding Public Company Limited is to make investments in other companies operating the business of electricity generation and sales. TPCH is involved from conducting a feasibility study before making decision on the project development and investment in the form of establishing a new company for the new project. TPCH may make an investment for 100 percent of stakes or it may acquire any business alliances whose investment strategy is relevant to the Company. The steps of project research and development up to the generation and sale of electricity are illustrated below.



Apart from carrying out the power plant project development pursuant to steps shown above, TPCH may consider making investments in other power plants that have been developed or operated already by acquiring their shares or assets. Investments by TPCH shall be in line with its investment policy and conditions determined. TPCH shall conduct a project feasibility study and consider other key factors affecting such project before proceeding with the development and investment in each project.

## **2.4 Trading Business for Local and Foreign Products**

**2.4.1 Product or Service Features.** TPOLY establishes a subsidiary, TPC Bangkok Supply Company Limited ("TPCB"), and holds 99.99 percent of shares in it. This subsidiary has operated the business of trading, importing, and exporting all types of local and foreign products since 2013. TPCB has conducted the feasibility studies, and acquired certain product sources. These products may be divided into:

### **1) Products for construction work**

As Thai Polycons Public Company Limited has purchased a large amount of construction materials from local and foreign sellers in each year; it has an idea to import the good-quality and competitive-pricing construction materials for the local market and neighboring markets. At present, TPCB is an agent of distributing the cement and aerated brick manufactured by Siam City Cement Public Company Limited, and it now takes steps to be a distributor for other products.

### **2) Products for biomass power plants**

For biomass power plant business, a huge amount of raw materials used as biomass fuel is needed. To secure the feeding of such raw materials, and to reduce the production cost in the long term, TPCB has an idea to sell the biomass fuel to the power plants of its subsidiaries and other general power plants.

### **3) Other products**

TPCB has a plan of trading other products. It is on the process of feasibility study and project planning.

## **2.4.2 Market and Competition**

To ensure that the products are competitive, the Company focuses on selecting the quality and cheaper products, which must be purchased from local and foreign manufacturing plants. These plants must have the good production standard and high creditability. TPCB always analyzes its competitors' strength and weakness so that the product features would be developed to fit the market.

## **2.4.3 Supplies of Products or Services**

The procedure of supplying the products or services is as follows:

1. Product selection
2. Search for product sources
3. Request for product sample and test, price negotiations, and payment conditions

### 3. Risk Factors

The risk factors in business operations of TPOLY, subsidiaries, and joint ventures may be categorized below.

**3.1 Construction Service.** Thai Polycons Public Company Limited has mainly operated the construction business with long experience over 27 years. It provides various types of construction service for both government and private sectors. It may act as a main contractor or a sub-contractor, and it may acquire a project via auction or bidding, e.g. high-rise residence building, warehouse, industrial plant, large-sized office building, shopping mall, education building, hospital, and biomass power plant, which also involves internal and external decorations.

TPOLY prioritizes the risk management in business operations, either internal or external factors materially affecting its business. A risk management system and a monitoring and internal control system have been set up to control certain risk factors as described below.

**3.1.1 Risk from changes in government policies, rules and regulations, and other laws** relating to the Company as well as revenue fluctuations. TPOLY has mainly operated the construction business; its business growth, in general, depends on the government policy and economic schemes driving investments by the private sector, as well as the national development plans, e.g. telecommunication infrastructure development, water source development plan, and promotion to the real estate business. The economic growth and government expenditures may not meet the projection. The financial crisis or political instability may occur in the future. The factors that may adversely take effect to the national economy in the future include:

- Political instability, terrorism, or military conflicts in several countries
- Continuous or more violent insurgency in southern border provinces of Thailand
- Natural disaster and catastrophe
- Long-term inflation or higher interest rates in the region
- Changes in taxation
- Lack of finance or other types of fund sources, which result to the dropping demand on products and services of regional entrepreneurs
- Fluctuations of foreign exchange and oil price
- Highly fluctuating global economic and financial system

Subject to aforesaid risks, TPOLY focuses on its potential to win the bids consistently. The Company shall offer the construction price most relevantly to the work quantity, and deliver the quality work punctually. The Company's construction work is normally guaranteed for 1 year upon the project construction completion. These factors make many clients trust TPOLY, and list TPOLY on top contractors to be selected for future projects. These clients also recommend TPOLY to other clients. However, the Company has tried to mitigate a risk of absolute reliance on the construction business by making investments in other businesses such as energy business, property development business, trading business, and others to reduce business fluctuations.

**3.1.2 Risk from terrorism in three southern border provinces.** TPOLY, currently, has 2 construction projects on the southern provinces; namely, Yala, and Narathiwat, in which TPOLY has gained some tax privileges. However, the said projects may be delayed and not be delivered as agreed in the contract caused by a shortage of construction workers due to unrest situation there. As the Company has a policy of not taking on any construction projects in the terrorists' target zones; thus, its construction projects have never been attacked by terrorism. Nevertheless, for the sake of safety among workers, employees, and construction sites, TPOLY determines some additional security measures, and coordinates with all related government authorities at three southern border provinces to closely monitor the situations there. At each construction site of the Company, a ditch is dug so widely that no one could jump over it. Each construction site is also encircled by barbed wire, and the lighting system is turned at night. The labors in the southern border provinces would not be hired in order to prevent some disguising terrorists, so the Company would employ the workers from the central region at a rate 50 percent higher than the normal one. Since 2005 up to now, the Company has proceeded with the construction of Yala biomass power plant, and it has never experienced any terrorism or labor shortage there.

**3.1.3 Risk from tougher competition.** At present, the construction industry confronts tougher competition while the new projects depend on bidding. When a bidder's qualifications are accepted, a price proposal would be considered by the project owner. The Company may confront harsher competition for construction projects among local and international construction companies from ASEAN Free Trade Area, which may take an adverse effect to the Company's business competition, financial status, operating performance, business opportunities, and returns to investors. On the contrary, this event may enable the Company to acquire new potential business alliances to approach new fund sources and technologies.

**3.1.4 Risk from business expansion based on investments** and project development length. Business development involves the project study and development in areas of energy, real estate, and trading. This business development aims at diversifying certain business risks from absolutely relying on the construction business. The Company must step into new markets and new clients, and try to generate the long-term sustainable revenues. However, the business investment during the initial stage of project development may be insecure due to several factors. Investments are essential, and it takes so long to gain the anticipated returns, which may be a potential risk.

**3.1.5 Risk from fluctuation of construction material prices and shortage of construction materials** from more intense tendering of bidding prices. To gain a good gross profit, the construction project management must depend on the project cost estimation and control of actual cost to be in line with the anticipated budget. The cost estimation is subjected to the construction material prices, transportation cost, and wage, which would be fluctuating by the degree of demand and supply in the economic situation. The Company manages the said risks by taking the following actions:

- For a construction contract with a provision on escalation factor (K), the construction price would be revised by such K value, which shall be adjusted by any changing production cost. Although this may not cover all increasing raw material cost and wages, it could support the increasing prices of raw materials and wages; therefore, the Company's construction cost is less affected.
- In case of a construction contract with a fixed construction cost whereas K value is not specified and this case is usually found in the private business, the Company has already estimated the possible increase of construction material prices in the overall project value.

Raw materials used in a construction project are the Company's overall cost, which are commodities, so their prices and quantity are up to the domestic and global markets. Some raw materials, especially cement and steel, may be out of stock during the high economic growth; the Company may be in trouble to find out some raw materials in a reasonable price. The main raw materials for construction are steel and cement. TPOLY directly orders them from certain major local manufacturers and distributors. For the construction business, the variation of construction material prices definitely affects the Company's construction cost and operating results. A construction company would set up its construction cost in advance based on the scope of work; if the construction material prices increase during the construction process while

those construction materials have not been purchased yet, it would be unable to limit the construction cost as per its estimation. This may take an adverse effect to the company's operating performance and financial status.

However, TPOLY has purchased the steel bar from such steel bar manufacturing plant for long and consistently whereas TPOLY has never had any outstanding payments so it has a good relationship with this steel bar manufacturer. TPOLY has always planned for the use of steel bar and purchased it in advance. It has never experienced the lack of steel bar either when it is out of stock or in the normal situation.

**3.1.6 Risk from errors in the revenue projection and cost as contracted** because of an additional scope of project. The Company may have some additional work as the client changes the scope of work from that indicated in the project plan whereas both parties have not yet agreed for the exact service scope and cost. The increasing work value may not be suitable for the actual work value, or not cover the rising cost and expenses if compared with such additional work quantity and service duration. Any subsequent change in the scope of work may lead to the contract argument and business dispute, which take effect to the Company's business operation. The Company's operating result may not be in line with its projection due to some increasing cost from an unbilled amount of money, which is called in accounting as "unbilled receivable" as shown in the Company's Statement of Financial Position. This not only impairs the Company's financial status, but also its business opportunities. However, the Company mitigates this risk by carrying out the project more carefully. The Company also has a business negotiation with each client in advance to minimize any potential business dispute.

**3.1.7 Risk from no receipt of construction service payments from clients or project owners.** TPOLY has provided the construction service to both private and government sectors. For construction projects provided to the government sector, the Company has no risk of not receiving the cost of construction. However, for construction projects provided to the private sector, the total construction cost may not be recognized. If a client in the private sector encounters the financial difficulty until it is unable to pay for the cost of construction, the Company's operating result will be exactly affected.

TPOLY recognizes the said risk. Its Management always takes into account the creditability and financial status of each client before tendering the bid. TPOLY has a policy to take on any construction projects from clients with creditability and good financial status. Most clients of TPOLY in the private sector are well-known companies with a good financial status.

**3.1.8 Risk of human resources and management.** A vision of the Board of Directors and Management of TPOLY in respect with human resource management is to allow

all company employees to express their competence. This is a core concept driving them to have self-esteem and determination to use their knowledge to develop the organization securely and sustainably. This is to root the accountability in all stakeholders, and entrepreneur spirit.

TPOLY has a proactive plan in recruiting its personnel from educational institutes where new graduates are qualified and relevant to the Company's requirements. This approach helps acquire young and energetic generations who have knowledge and abilities, and new viewpoints and ideas to work with the Company while they are eager to develop themselves and grow with the Company. These graduates would be trained theoretically and practically so that they would have both knowledge and experience to grow and smart as they want.

Now, the Company uses Microsoft Dynamics AX (ERP) in its management; therefore, all data of each department is put in an on-line system. As a result, data searching is easy, convenient, accurate, and rapid. This helps reduce the paper use, expenses, document collection or document loss in case of staff resignation.

**3.1.9 Risk from shortage of labors and sub-contractors.** The Company's ability in controlling wages and project management depends on its ability in acquiring and retaining the engineers, architects, and technicians who have the appropriate qualifications and experience. During the flux of construction works, these personnel may go short. Thus, the Company may be unable to employ some specialized personnel and other workers sufficiently, either through direct employment or through sub-contractors in the future. The Company is neither able to guarantee that the cost of employing some specialized personnel or other workers would not exceed its estimated cost. This may negatively give the material effect to the Company's business, financial status, operating performance, business opportunities, and returns to investors.

**3.1.10 Risk from delayed delivery of work,** which may force TPOLY to compensate some damages from the breach of the contract. In making a construction service agreement between the Company and a client, the construction period would be specified explicitly. If the work could not be delivered on schedule, the Company must pay for the damage and fine as specified in the contract. The delayed project also induces higher wage expenses than expected. Additionally, for a construction project for the private sector, a client may change the scope of construction work, which undeniably affects the construction period. TPOLY also has a risk in negotiating for an additional construction price because the cost of construction for such additional work is not stated in the contract. This may adversely affect the Company's operating performance.

However, before accepting each construction project, the Executive Board of TPOLY always takes into account the entire undelivered construction works and adequacy of manpower so that it will be able to manage all projects efficiently and to deliver each project on schedule. TPOLY recognizes the management risk; it defines a working guideline to prevent any potential defects. To elaborate, ISO 9001:2015 is used to sustain the operation standards at the Company's head office and all projects. The risk from general project delays may come from clients, e.g. late submission of construction area, approval process for various matters, etc. These delays result to the construction period and expenses. Some delays may be provoked by the contractor, e.g. lack of construction materials. In this regard, TPOLY makes the construction material purchase agreement in advance. Some delays may come from other reasons, e.g. natural disaster. Previously, TPOLY was successful to prolong the construction period.

**3.1.11 Risk of not recognizing the project value as contracted** or the revenues based on the value of projects on hand. The project value as contracted means the amount of revenues to be gained under provisions set forth in a construction service agreement if such provisions are complied with completely. The project value on hand indicates the work quantity to be completed by the Company. However, the Company may not be able to recognize the project value as contracted or the value expected from the project value on hand or it may recognize the project value, but the project is lower than the estimated amount. In case that a project on hand is suspended or the scope of work is reduced, the project value must be cut as well. The fall of revenues from the cash flow may materially worsen the operating profit from the project value on hand. If a client cancels the project, the Company may receive some compensation, but it has no right to have the total amount of revenues, which show the project value on hand. The project cancellation or delay as shown the project value on hand may adversely affect the Company's business, financial status, operating results, and returns to investors.

**3.1.12 Risk from setting aside additional provisions for doubtful accounts** and recognizing higher loss from the Company's declining investment value, which may adversely affect the Company's business, financial status, operating results, and business opportunities.

### **3.1.13 Financial risks**

#### **(1) Risk from inadequacy of working capital**

**Liquidity risk or fund raising risk** is a risk to which the Company may experience in mobilizing the fund adequately and timely in order to comply with the obligations as specified in any financial instruments. Liquidity risk may occur when a company is unable to sell its financial assets in time at a price close to the fair value.



**Interest rate risk** is a risk deriving from changes of interest rates that may occur in the future. Most loans granted by financial institutions to the Company are the short-term loans, so the interest rate risk could not cause damages to the Company. In addition, the Company would request for changing the borrowing conditions or it may seek for other new financing sources with a low interest rate to replace the old ones.

**Credit risk.** The Group of Companies has the credit risk relating to its account receivables. However, for any account receivables that may have the payment problem, the Company's Management has the policy to record the allowance for doubtful accounts sufficiently to cover such loss.

Subject to the prosperity and growth of TPOLY, it has taken on more large projects. TPOLY needs higher amount of working capital in its business for various construction projects; this may lead to a risk in case that the working capital is insufficient, and may impact the current construction projects. TPOLY prevents and manages this risk via financial management by careful liquidity management. To elaborate, the schedule of payments to raw material suppliers must be consistent with the schedule of payments made by project owners. TPOLY also plans to procure the raw materials and equipment relevantly to such payment schedules in order to reduce the capital spending, and maintenance cost, and financial cost.

**(2) Risk from providing financial supports to subsidiaries.** For business necessity, TPOLY has provided several types of financial supports to its subsidiaries such as granting loans to subsidiaries, or extending guarantees for the parent company, etc. These may cause the risk in case that the operating results of such subsidiaries miss the target or these subsidiaries encounter the financial liquidity problem until they are unable to repay debts when due or they have a default with a bank. These cause the Company to be responsible as the guarantor. In recognizing this risk, the Company defines the precise financial supporting procedures and approval limit when it must give any financial support to its subsidiaries.

**(3) Risk from spinning off a subsidiary operating the biomass energy to be listed on the SET.** Since TPOLY has operated the construction business over 29 years; it recognizes the industry risk and revenue fluctuation from the construction service as impacted by the economic system, state policy, and lack of labor. Therefore, TPOLY has made investments in the biomass business to enhance some persistent income. Nevertheless, the energy business needs high investment, but the payback period is approximately 10 years. However, TPOLY realizes this business opportunity. To expand this energy business, TPOLY decided that TPC Power Holding Public Company Limited had to be listed on the SET for fund-

raising while TPOLY as a construction company continues obtaining benefits from the energy business prosperity.

As this subsidiary is a holding company; its core income is dividends to be paid by its subsidiaries and jointly controlled entities, which are up to the operating results they would achieve. Up to now, this subsidiary has made investments in 15 companies. It also aims at making more investments in the business of electricity generation and sales from renewable energy, so it is likely that this subsidiary may have more subsidiaries in the future. However, investments in each project, either present or future, contains some risks, which may adversely affect the business of electricity generation and sales from renewable energy as operated by the Group of Companies.

**3.1.14 Risk of no expected returns from investments in subsidiaries.** TPOLY assigns its Management to regularly monitor the operating results of all subsidiaries in which it has made investments. The operating performance summary must be submitted to the Company's Management in every 2 weeks, as well as the analysis report comparing the actual returns with the anticipated returns in order to ensure that every business invested achieves the operating results and work efficiency as expected. Besides, TPOLY defines certain measures and operating guidelines to prevent this risk as described below:

- Formulate the management policy in subsidiaries. The Company's directors and/or executives shall be delegated to be directors in its subsidiaries. The number of directors/executives must not be less than the proportion of shares held in these subsidiaries or joint ventures (as the case may be). TPOLY also appoints its representatives to be the top management in these subsidiaries.

- Assign the Company's internal audit to regularly inspect the business activities of these subsidiaries in accordance with the annual audit plan to ensure that they hold adequacy and efficiency of the internal control system, and to report the audit results to the Company's Audit Committee.

## **3.2 Property Development Business**

**3.2.1 Risk of construction material prices.** The fluctuation of construction material prices is an external and uncontrollable factor. For example, the fluctuating oil prices in the global market always take effect to the production cost of construction materials, which may be higher or lower according to the government announcement. This is a risk factor extremely affecting the efficiency of cost management and profitability. TPOLY manages this risk by studying and analyzing the tendency of prices of construction materials and cost of construction as resulted by changing fuel prices, and by closely monitoring the crude oil prices in the global

market. TPOLY would fix the construction material prices in advance with its major construction material suppliers for all projects so that the sub-contractors could buy the construction materials from these suppliers at the negotiated prices. This method helps mitigate the fluctuating prices of construction materials and oil to some extent, and then the construction cost could be controlled. To prevent the existing construction material suppliers to raise the price, TPOLY sets up a working team to monitor the construction material prices and procure the spare parts from other new manufacturers so that it will be able to fix the cost of construction timely and competitively.

**3.2.2 Potential and working background of sub-contractors.** TPOLY has employed several sub-contractors with good qualifications and financial stability to jointly provide the construction service. Since the company establishment, TPOLY has accumulated a valuable experience and qualified working team to provide the construction service by itself in order to create trust and reliability on the Company's management. This helps minimize the delayed and unqualified projects. TPOLY would fix a lump sum payment, which includes wages and construction material prices, for sub-contractors whereas it would control the work quality, work duration, and cost of construction to be in line with the Company's estimation.

**3.2.3 Quality and standards of construction work.** These issues have been always prioritized by TPOLY. TPOLY sets up a working team to develop and study the construction system and to investigate whether any construction service part should be improved or not so that TPOLY could meet the anticipated goals. TPOLY strictly controls its construction quality and standards, service duration, and cost that must be in conformity with the preset schedule. In this regard, ISO is used in the Company's construction works; this helps reduce the duplicated use of corporate resources, and shift its competitiveness, which leads to universality. TPOLY also has a central quality control team in charge of inspecting the work quality and quantity based on its construction models and construction standards, which lead to an efficient and proficient operation. Another working team is also established to find out the weakness of general construction system; this information would be integrated for the Company's construction development. Nevertheless, since the construction and project development have been usually and critically affected by certain external factors, e.g. lack of labor, rising of minimum wage, rising price of construction materials, etc., TPOLY applies several strategies to minimize these problems.

**3.2.4 Risk in the shortage of sub-contractors.** TPOLY has operated the construction business for long; it has tied the good relationship with many labors and minor and medium sub-contractors. However, in fact, the economic situation may upturn or downturn, so

the Company prepares to correspond to any events. To make the Company's reputation harmless, the strategy to this risk is to revise the lump-sum payment to the sub-contractors to be relevant to the market rate. The sub-contractors are also ranked so that the Company may hire certain skillful sub-contractors at a special engagement rate. Importantly, TPOLY relies on the pre-fabrication system more in the structure work, floor, roof, and plaster work in order to reduce the reliance on labors. This is a method of solving the lack of labor, but, in practice, the Company has gradually increased the number of sub-contractors and skillful labors to lessen this impact.

**3.2.5 Risk in land acquisition for project development.** Most projects of TPOLY are located in communities where the clients could enter or exit conveniently. Such land is demanded by other property developers for their projects, but these plots of land are limited. To prevent this risk, the Company has a long-term plan in purchasing some plots of land for future construction projects. The Company has regularly conducted the marketing research, and analyzed the areas likely to be the business centers and communities.

**3.3 Holding Company Business** by making investments in companies that have operated the generation and sales of electricity from renewable energy. This business is operated by TPC Power Holding Public Company Limited.

**3.3.1 Risk in business operation.** As TPCCH is a holding company; its core income is the dividends to be paid by its subsidiaries and jointly controlled entities, which are up to the operating results they would achieve. Up to now, TPCCH has made investments in 15 companies. It also aims at making more investments in the business of electricity generation and sales from renewable energy, so it is likely that this subsidiary may have more subsidiaries in the future. However, investments in each project, either present or future, contains some risks, which may adversely affect the business of electricity generation and sales from renewable energy as operated by the Group of Companies as described below.

**1) Risk from dependence on service operators for power plant operation.** As TPCCH was established by TPOLY at the end of 2013 with an objective of receiving the transfer of investments from TPOLY made in the subsidiaries operating the biomass power plants, which included CRB, TSG and BBRP. At that time, TPCCH has not yet had the staffs with experience and expertise in the operation of biomass power plants. But, now, TPCCH has engaged VSS to operate CRB and TSG. GPP has been also engaged to operate MWE in accordance with the operation and maintenance agreement because GPP contains many personnel with long investment experience in biomass power plants. Its staffs are specialized in operating the

biomass power plants, and controlling and maintaining all machinery and equipment used for generating the biomass-fuelled electricity. GPP has also had some experience in managing the power plants and fuels, which is an important factor in generating and selling the electricity of biomass power plants. The management of power plants by inexperienced or non-specialized people may lead to damages, which could adversely affect revenues and operating performance of TPCH.

However, TPCH recognizes the risk of such dependence. It adheres to the Code of Best Practices defined by imposing the terms and conditions in the Operation and Maintenance Agreement appropriately whereas they can motivate such service operators so that both parties could gain satisfactory benefits. For example, the compensation to a power plant operator in accordance with the Operation and Maintenance Agreement shall be flexible by net income of electricity cost. A minimum electricity generation is fixed, but if the power plant operator can generate the electricity higher than the target, CRB, TSG and MWE shall make an additional payment to such operator as an operating incentive. Meanwhile, CRB, TSG and MWE can gain higher income and profit from some increasing production units. However, if the power plant operator generates the electricity below the target, it would be fined. This is to prevent or reduce the loss of benefits in CRB, TSG and MWE. TPCH also has a process of monitoring the power plant operators' work performance under appropriate conditions. Nevertheless, to prevent a risk that both parties may not agree on certain provisions in the agreement, TPCH plans to recruit some experienced and specialized personnel or train the staffs when the agreement made with the power plant operators has not yet expired so that these staff can replace the said operators.

At present, TPCH does not focus on a single power plant operation model, but considers the appropriateness of each project that it should be operated by TPCH or by a power plant operator. Besides, to lessen the dependence on those operators, TPCH has engaged some engineers with good experience and expertise in operating the machinery in biomass power plants to run the biomass power plant of MGP. The biomass power plant of MPG has started its commercial operation on April 8, 2016. As the subsidiary of TPCH has begun the power plant operation; this can be compared with the performance of those operators, and makes TPCH more confident that it will be able to operate the biomass power plants in the future, and gradually reduce the dependence on those external operators.

## **2) Fuel risk**

2.1) Risk from adequacy of fuel. Fuel is one of the most important factors for the operation of biomass power plants, especially those that owns no fuel sources. If a biomass

power plant fails to find out the fuel sources sufficiently and consistently, it will not be able to generate electricity by its full production capacity. This could directly impact the project revenues and returns, ability in repayments, and dividend payments to the Company eventually.

TPCH recognizes this impact, and formulates a guideline to mitigate such risk. To elaborate, before an investment and development of a biomass power plant, TPCH shall study the adequacy of fuel by surveying any fuel sources around the power plant whether the fuels could be delivered or not. TPCH determines that each biomass power plant of its subsidiary must have a big fuel warehouse and an open area to store many fuels to be used during the fuel shortage. TPCH has a policy of storing some fuels in the warehouse at least 15 days. This measure is specified in the Operation and Maintenance Agreement made with VSPP for CRB and TSG power plants, and with GPP for MWE power plant.

TPCH also defines the strategy for approaching fuel sources by employing the power plant operators whose scope of service includes the sufficient supply of fuels for the power plant operation. TPCH will consider the power plant operators capable of approaching fuel sources, and of generating and selling electricity as specified in the Operation and Maintenance Agreement such as power plant projects of CRB, TSG and MWE. TPCH may advise its subsidiary to make a long-term fuel purchase agreement with an entrepreneur who owns the fuel. In this regard, TPCH has made investments in power plant projects with fuel owners, e.g. power plant projects of MGP, PGP, SGP, and PTG in order to approach big fuel sources to feed those power plants consistently. Besides, TPCH has a policy of building the good relationship with other fuel owners to ensure that the fuels would be supplied to the power plants adequately in the long term.

2.2) Risk from the fluctuation of fuel prices. Fuel cost is the highest portion of cost in a biomass power plant. If the fuel price becomes high significantly, the profit and returns of such biomass power plant would be affected substantially as well. TPCH manages the risk of fuel price by assigning each power plant operator to be responsible for fuel supplies as specified in the Operation and Maintenance Agreement. However, according the previous operation data, the fuel price has not been so fluctuating that it takes effect to TPCH. In addition, the different cost is partly derived from the combination of fuel types used in the electricity production as a cost management. For example, stump is cheaper than wood slab. If stump is much more used, the average cost is likely to be lower.

TPCH has a policy of monitoring fuel prices regularly. Whenever the core fuel comes out so much and the price drops, TPCH shall inform the power plant operators to purchase more fuel because the power plants of TPCH have some large areas, either indoor or

outdoor, for fuel storage. In case that the price of such core fuel is so high that it is not worthwhile for electricity production, TPCH would consider other types of fuel applicable and harmless to the incinerator of those power plants because TPCH selects the machinery technology compatible with several types of fuel.

**3) Risk from delayed power plant projects.** Currently, some power plant projects of TPCH have been under construction. This is a risk that the project implementation may not be in line with the plan. TPCH recognizes the risk of project development before each biomass power plant will begin its commercial operation. These projects may be delayed by procedures of applying for licenses, construction and installation of machinery and equipment by the EPC contractor, conflicts with surrounding communities, or natural disaster. These factors may affect the operation period and/or cause the cost overrun, which make TPCH unable to recognize the revenues as planned, and the investment returns miss the expectation. Therefore, TPCH defines some operating measures to reduce this risk; for example, preparation of a manual describing the procedures of submitting applications for all and any necessary licenses as well as all important documents and information to be submitted at each stage to ensure accuracy, completion, and quickness in applying for licenses, selection of sub-contractors in good reputation, experience, and expertise, making the agreements carefully, work guarantee after completion of each construction project, request for contractors to guarantee the efficiency and proficiency of electricity generation, communications with surrounding communities for the good relationship with them, making the insurance to mitigate the impact from natural disaster. TPCH will engage an external expert to manage the project and construction work to ensure that the construction work would be completed on schedule. If the construction work could not be completed as stated in the construction service contract, the said contractor would be fined.

**4) Risk from not receiving investment returns as anticipated from subsidiaries.** TPCH prioritizes this risk; it assigns the Business Development Department to be in charge of regularly monitoring the operating results of each power plant invested by TPCH. For example, VSPP, the biomass power plant operator of CRB, would summarize the operating performance of CRB biomass power plant on a daily basis, and analyze the actual returns as compared with the projection, to ensure that the businesses invested by TPCH achieve the operating results and efficiency as anticipated. In addition, the Company has appointed representatives of the Company. He is also a senior executive in the subsidiary company.

- Determine the policy on management of the Company by the related organizations and / or the management of the Company to hold the position in the subsidiary company, which is not less

than the shareholding of the associated company (as the case may be). He has also been appointed as Senior Executive Officer in the subsidiary.

- The Company can access the information of the operation of the power plant at all times with the Real Time Monitoring system and the Company will receive a daily report from the operator of the power plant. As a result, the business development department can prepare a report analyzing the operating results of the subsidiaries to the management and the Board of Directors. usually To make correct and timely adjustments.
- Check the accuracy of the information in the audit plan and verify the accuracy of the annual report (audit plan) to ensure that the company has an internal control system. To the Audit Committee

**5) Risk from dependence on major clients.** For all current power plants of TPCB, they have only one major client that is PEA (for the future project, PTG, the client is EGAT), which is a state enterprise accepting the entire amount of electricity generated in accordance with the Power Purchase Agreement, which specifies the amount or purchase quantity and price precisely at each period, based on the policy of supporting the electricity production and use from renewable energy by the Energy Policy and Planning Office, Ministry of Energy like other power producers from renewable energy sources.

**6) Risk from accidents, protest of local people, and sabotage.** For the business operation by the Group of Companies, any accidents may occur from machines or equipment, which may cause fire. There is also a risk from the community protest due to the negative attitude toward the power plant or production process possibly impacting those communities. The accidents may derive from the useful life of the power plant, personnel's operation. The power plants are also the target of sabotage.

TPCB believes that, from the existing measures and close monitoring of the said situations, this risk hardly occurs. However, the management of TPCB set up several measures to be implemented constantly to prevent and reduce such risk as follow;

- Emphasis on the worker. (Or the management of the power plant) regularly to avoid negligence, because it is believed that negligence may cause negligible damage.
- Maintenance of machinery and equipment for a specified period of time so that the machinery or equipment can operate efficiently.



- Building good relationships with communities around the power plant and coordinating with government agencies. And the local government involved. To achieve the correct understanding of all parties.
- Defining security plans and emergency plans. Installation of equipment such as CCTV system. Including regular drills.
- Comprehensive coverage of All Risks, Machinery Breakdowns, Business Interruption and Third Party Liability to ensure that any unexpected events are adequately protected.

#### **7) Risk from changes in policy by the government and regulatory agencies.**

**Risk from the electricity purchase by means of competitive bidding.** As the Energy Regulatory Commission (ERC) issued a regulation on purchase of power from very small power producers (VSPP) projects using renewable energy (excluding solar power projects) under the FiT scheme via competitive bidding, the projects proposing the maximum discount of  $FiT_F$  would be first selected, and sorted out according to the proposed discount until the ERC receives all electricity quantity as intended. This regulation drives the competition tougher; this may adversely affect the goal of TPCH in expanding its investments in power plants in the future.

However, previously, TPCH has made most investments in the southern region. To reduce the aforesaid risk, TPCH plans to expand investments in other regions and on abroad. It also considers other types of renewable energy, e.g. solar, wind, waste, etc.

**Risk from foreign investments.** TPCH plans to expand investments in the electricity generation business in Thailand and on abroad constantly. At present, TPCH conducts a feasibility study on the development of an electric power dam project in the Lao People's Democratic Republic. However, TPCH realizes the risk of new project development in other countries; therefore, it places certain measures on selecting investment projects and investors carefully. All related factors are analyzed, including economic policy, politics, and society of countries to be invested. Then, the economic and industrial situations, financial cost, cost of machinery and equipment, and cost of construction as well as all related laws would be analyzed carefully in order to have the investment probability and expected returns. The sensitivity analysis is also conducted to have the risk prevention guideline as this takes the great and direct effect to the business operation on abroad.

**8) Risk associated with compliance with environmental law.** The operation of electricity production and sales by subsidiaries of TPCH is under laws and regulations on

environmental impact prevention and mitigation as prescribed by either central government entities or local authorities. These laws and regulations cover the soil, water, air, and toxin pollution control, disposal and management of refuse and waste, health and safety at workplace, and management of hazardous materials. The said requirements are complicated and amended frequently, but the enforcement, in some cases, depends on the interpretation by those related authorities.

The Group of Companies recognizes the environmental impact caused by power plants. Therefore, before starting a power plant construction, TPCH always prepares the Environmental and Safety Assessment (“ESA”) and arranges the public participation for local people around the subsidiary’s power plant, except PTG project for which TPCH has engaged a consultant to conduct the study and prepare the Environmental Impact Assessment (“EIA”) as this project contains the production capacity over 10 Megawatts. The preventive environmental impact measures carried out by the Group of Companies include the substance release system, pollutant control system, waste water treatment system, waste and disposal treatment system by distributing some fuel ash left from fuel combustion to local people and surrounding communities to be utilized as fertilizer, multi-cyclone dust collector system, and electrostatic precipitator, etc. TPCH and its subsidiaries also monitor and examine any possible environmental impact closely to ensure that the electricity generation process of these subsidiaries is in conformity with any and all related laws and regulations, and to minimize the environmental pollution so that their power plants are actually the power plants for local communities. Subject to the noise, dust, and air pollution examinations in all power plants of these subsidiaries in 2017, all examination results are relevant to the criteria prescribed by law.

#### **9) Financial risk**

**Risk from fluctuation of interest rates.** The operation of biomass power plant needs high investment. Most power plant operators prefer the long-term project finance granted by financial institutions. Debt to equity ratio would be approximately 2:1 or 3:1. The interest charged is usually the floating interest rate. The power plants of these subsidiaries inevitably rely on such loans. As of 31 December 2017, TPCH and its subsidiaries had long-term loans amounting to Baht 1,680.84 million, comprising a long-term loan from CRB amounting to Baht 265.16 million, a long-term loan from MWE amounting to Baht 426.18 million and from TSG amounting to Baht 445.90 million, a long-term loan from PGP amounting to Baht 343.90 million, and a long-term loan from SGP amounting to Baht 199.70 million with the floating interest rate. Therefore, changes in interest rate take the direct effect to the financial expenses of TPCH.

TPCH exactly recognizes this risk. Therefore, during a project feasibility study, TPCH studies the impact from changes in interest rate in case of high fluctuation of interest rate. This is to assess the financial impact before making investments in each power plant. Besides, when listed on the SET, TPCH may consider other alternatives from various financial sources such as debt instrument with fixed interest rate to mitigate the fluctuation of interest rate.

#### **10) Risk affecting the shareholders' rights or investment**

**Risk associated with management in subsidiaries in which TPCH holds shares less than 50 percent and at 75 percent.** As TPCH is a holding company and owns no core business whereas its core revenues are dividends paid by its subsidiaries. A resolution for dividend payment by each subsidiary requires the majority of votes by the meeting of shareholders. Further, entering into any significant transactions including capital increase, capital reduction, and business acquisition or disposal requires not less three-fourths of votes from the meeting of shareholders. Therefore, TPCH has the risk of not being able to control the votes to pass such significant resolution in its subsidiaries. As of 31 December 2017, the subsidiaries in which TPCH held less than 50 percent of shares were MGP, SP, and PA, and those in which TPCH held less than 75 percent of shares were CRB, TSG, PTG, PGP, SGP, TPCH1, TPCH2, TPCH3, TPCH4, and TPCH5.

From the proportion of shareholding in those subsidiaries, the proportion of directors is not less than the proportion of shares held in each. TPCH may exercise the right as the major shareholder to control the majority of votes in every subsidiary, so it would be able to control the resolution regarding dividend payment, except in the case of MGP in which TPCH held only 46 percent of shares. However, in respect with management in each subsidiary, the company regulations prescribe that every subsidiary must conform to the policy placed by TPCH.

#### **4. Assets Used in Operation**

##### **4.1 Core Permanent Assets for Business Operation**

##### **4.1.1 Construction Business**

The core permanent assets used by TPOLY in the construction business had the book value (less depreciation) as of 31 December 2017 as follows:

Unit: Million Baht

Asset Features	Location	Ownership	Obligation	Net Value As of 31 Dec 17
Land and improvements for 3	2, 4 Soi Prasert-	Owner	Mortgaged to	<b>6.86</b>



Asset Features	Location	Ownership	Obligation	Net Value As of 31 Dec 17
plots of land Title Deed No. 5968, 6541, and 6542 in an aggregate area of 1 Rai 35 square wah	Manukitch 29, Yak 8, Prasert-Manukitch Road, Chorakhehua, Ladprao, Bangkok		financial institutions	
Office building and expansion	2, 4 Soi Prasert- Manukitch 29, Yak 8, Prasert-Manukitch Road, Chorakhehua, Ladprao, Bangkok	Owner	Mortgaged to financial institutions	<b>15.15</b>
Land and improvements for 2 plots of land Title Deed No. 14440, and 14441 in an aggregate area of 18 Rai	Amphoe Sam Khok, Pathum Thani	Owner	Mortgaged to financial institutions	<b>9.00</b>
Building expansion and dwelling houses	Amphoe Sam Khok, Pathum Thani	Owner	-	<b>8.46</b>
3 plots of land Title Deed No. 3921, 3922, 19049 and 76130	Surat Thani	Owner	-	<b>11.00</b>
Tools, machinery and construction equipment		Owner	Free of obligation/ under hire purchase agreement	<b>29.77</b>
Office supplies and furniture and fixture		Owner	Free of obligation	<b>4.82</b>
Vehicles		Owner	Free of obligation/ under hire purchase agreement	<b>6.24</b>
Electrical and Water Distribution system	2, 4 Soi Prasert- Manukitch 29, Yak 8, Prasert-Manukitch Road, Chorakhehua, Ladprao, Bangkok	Owner	-	<b>1.36</b>
<b>Total</b>				<b>92.66</b>

#### 4.1.2 Property Business

The core permanent assets used by TPOLY in the construction business had the book value (less depreciation) as of 31 December 2017 as follows:

Unit: Million Baht

Asset Features	Location	Ownership	Obligation	Net Value As of 31 Dec 16
Office supplies and furniture and fixture		Owner	Free of obligation	0.51

#### 4.1.3 Energy Business

At present, the power plant projects have the core equipment as summarized below.

Equipment	Technologies/ Producer	Type	Functions
CRB/ MWE/ TSG/ PGP/ SGP			
Combustion Chamber	Germany/ Germany	Combustion chamber in the type of step grate stoker with post combustion chamber	Fuel is fed to the staging combustion chamber by hydraulic driven device where the movement rapidity can be adjusted. When fuel is driven from each stage, it will be turned up so some fuel pieces placed on the grate surface and not be burned yet will be turned and burned to have a complete combustion. Post combustion makes any incomplete combustion perfect in this combustion chamber. It greatly improves the combustion efficiency.
Boiler	Germany/ Thailand	Water tube boiler with 1 set of drum. Water tubes are the walls transferring heat, and natural water circulation	Heat from the combustion chamber is fed to the boiler to boil water, which is changed to be the superheated steam that will be released via water tube to spin the steam turbine.
Steam Turbine	Japan/ Japan	Impulse steam turbine with 9 sets of impeller, entire condensate and worm	Superheated steam from the boiler is released to spin the steam turbine.

Equipment	Technologies/ Producer	Type	Functions
		gear	Steam is condensed to be the condenser by cool water from the water tank and cooling tower. This water, then, is sent back to the boiler for re-boiling.
Generator	Japan/ Japan	Closed synchronous generator with air cooled water chiller and water cooled heat exchanger. Rotating magnetic field generation and brushless type.	The generator is driven by steam turbine through the worm gear, and it generates electric current about 6,600 volts to be fed to the electric transformer to turn the electric current to be 33,000 volts for CRB and TSG. For MWE, the electric transformer will transform the electric current to be 20,000 volts to be further sold to PEA. About 10 percent of generated electricity is used for some equipment used for electricity generation, e.g. fan, water pump, etc.
MGP			
Combustion Chamber	Denmark/ China	Combustion chamber in the type of vibration grate stoker with water cooling	Fuel is fed to the combustion chamber by hydraulic driven device where the inclined and vibration grate is installed. The combustion duration will be set appropriately for each type of fuel. The vibrator is timed to function periodically. Burned fuel on the top of the grate will flow through the bottom of the grate before dropping into the bottom ash carrier. Heat from combustion will be transferred to the boiler to produce some steam.
Boiler	Demark/ China	Water tube boiler with 1 set of drum. Water tubes are the walls transferring	Heat from the combustion chamber at the bottom of the boiler will deliver

Equipment	Technologies/ Producer	Type	Functions
		heat, and natural water circulation. There are 4 sets of superheated steam boiler, which is the technology of producing high-temperature water and high pressure.	heat by heat convection and radiation to boil the water until it becomes the superheated steam. This steam will be sent via water tube to spin the steam turbine.
Steam Turbine	China/ China	Reaction steam turbine with 18 sets of impeller, entire condensate and worm gear	Superheated steam from the boiler is released to spin the steam turbine. Steam is condensed to be the condenser by cool water from the water tank and cooling tower. This water, then, is sent back to the boiler for re-boiling.
Generator	Germany/ Germany	Closed synchronous generator with air cooled water chiller and water cooled heat exchanger. Rotating magnetic field generation and brushless type.	The generator is driven by steam turbine through the worm gear, and it generates electric current about 11,000 volts to be fed to the electric transformer to turn the electric current to be 22,000 volts to be further sold to PEA. About 10 percent of generated electricity is used for some equipment used for electricity generation, e.g. fan, water pump, etc.

## 4.2 Investment Policy and Management in Subsidiaries and Joint Ventures

Investment policy of TPOLY is to make investments in any businesses supporting and benefiting the business operation of TPOLY or they are in industries likely to be prosperous. Returns from such investments shall be mainly regarded.

**4.2.1 Construction Business and Joint Ventures.** TPOLY makes investments with other companies with experience and specific expertise to jointly tender bids, and carry out various construction projects. They must have credentials and technical specialty as each client requires. Except some returns from project operation, TPOLY also obtains those specific techniques as well as working experience. This profile is useful for further bidding.

**4.2.2 Property Business.** TPOLY is specialized in the construction work and it catches sight of an opportunity in the property business. Therefore, TPOLY makes investments in the property business as another channel of earnings.

**4.2.3 Energy Business.** From an experience in the construction of power plants and the feasibility study on energy business, the business growth is likely to be high as electricity is so essential. Therefore, TPOLY decides to operate the energy business to boost some secure revenues in the long term.

**4.2.4 Trading Business.** This business helps support other businesses, e.g. procurement and sales of construction equipment to the construction business and property business, procurement and sales of fuel to the energy business, etc. The ordered products may be sold to other construction companies and trading partners.

In respect with the management, TPOLY places a control measure by delegating its representatives to be directors in every subsidiary and joint venture. But, TPOLY will not take a strict control on its associated companies; it only delegates its representatives to be directors there. The number of representatives delegated by TPOLY to be directors shall be up to the proportion of shares held by TPOLY.

## 5. Legal Disputes

TPOLY has submitted the request of arbitration to Thailand Arbitration Institute for the dispute, Black Number 79/2556 requesting an employer to pay for damage in the amount of Baht 50.82 million. However, such company has submitted an objection to the request of TPOLY, and it, in contrast, demanded TPOLY to indemnify it for Baht 157.16 million. On May 30, 2017, the arbitrator had the final decision forcing such employer to pay the amount of Baht 17,936,922.75 million to TPOLY, and TPOLY has received such amount already.

TPOLY has instituted an action against an employer in Black Case Number Por.293/2556, and Red Case Number Por.1138/2557. The Court of First Instance had the judgment that such company would pay to TPOLY in the amount of Baht 58,702,446.58 million with interest of 7.50 percent per annum. The said employer appealed the sentence of the Court of First Instance that such payment including interest of 7.5 percent per annum would be made to TPOLY from the date of filing this lawsuit up the date of full payment, and such payment also included any other court fees. At present, this case is still pending in the Court of Appeal Region 1. However, TPOLY has already set aside the allowance for doubtful accounts in the amount of Baht 46.56 million.



On September 3, 2015, a group of local people has collectively filed a lawsuit to Nakhon Si Thammarat Administrative Court against a government authority, and requested the Court's order to revoke the Permit for Factory Operation, and the license for power plant construction of Thung Sang Green Company Limited as it deemed the unlawful issuance of licenses, which might impact the environment. The Court considered and was of opinion that the court judgment or order in this case might take effect to Thung Sang Green Company Limited; therefore, the court had an order on November 14, 2015 calling Thung Sang Green Company Limited to be the interpleader of the prosecuted person, and Thung Sang Green Company Limited was determined to be the third prosecuted person. At present, this case is still pending in the Court.

## 6. Other General and Significant Information

### 6.1 General information

Company Name : **Thai Polycons Public Company Limited**

Nature of Business : **Construction business** – TPOLY provides general construction services, including design, procurement, and service for an integrated installation of engineering system. The construction services are provided to both private and government sectors whereas TPOLY may act as a main contractor or sub-contractor. The projects performed as the main contractor or sub-contractor may be acquired via bidding or negotiation or cooperation with other companies as joint ventures.

**Property development business** – TPC Asset Company Limited ("TPCA") was incorporated on May 25, 2011. Its current registered capital is Baht 230 million in which Thai Polycons Public Company Limited holds 99.99 percent of its registered capital. TPCA operates the business of land and houses for sales. TPCA is the project developer and project owner for various developed houses. Now, the active projects are Greenwich Town Home Ramintra comprising 174 units of 3-storey modern town homes, and Greenwich Prime Hathairat comprising 94 units of 2-storey single detached houses.

**Biomass energy business** – TPC Power Holding Public Company Limited ("TPCH") was incorporated on December

26, 2012 and it was converted into a public limited company on June 19, 2014 before being listed on the Stock of Thailand on January 8, 2015. TPOLY holds 41.26 percent of registered shares in TPCH that is a holding company investing in companies whose business is to generate and sell electricity from renewable energy, and to support its subsidiaries' operations. TPC Power Holding Public Company Limited has spent investments in its subsidiaries and jointly controlled entities. At present, TPCH plans to operate the electricity generation and sales in 15 biomass power plants. Its main income is the dividends paid by these companies and other newly established companies.

**Trading business** – TPC Bangkok Supply Company Limited ("TPCB") was incorporated on January 16, 2013. Its current registered capital is Baht 25 million and TPOLY holds 99.99 percent of shares in it. TPCB operates the business of purchasing, selling, importing, and exporting all types of local and foreign product. TPCB conducts project feasibility studies, and procures product sources. The targeted products are the products for construction work, biomass power plants, and other products to boost more revenues for TPCB.

Head Office	:	2, 4 Soi Prasert-Manukitch 29, Yak 8, Prasert-Manukitch Road, Chorakhehua, Ladprao, Bangkok
Branch Offices	:	140, Kampung Baru Road, Tambon Bang Nak, Amphoe Muang Narathiwat, Narathiwat
	:	106 Moo 10, Na Kuea, Tambon Bana, Amphoe Muang Pattani, Pattani
	:	74 Moo 5, Tambon Ja Nong, Amphoe Chana, Songkhla
Registration Number	:	0107551000037
Telephone	:	0-2942-6491-6, 0-2943-2930-8
Facsimile	:	0-2943-2939
Website	:	<a href="http://www.thaipolycons.co.th">www.thaipolycons.co.th</a>
E-mail Address	:	<a href="mailto:info@thaipolycons.co.th">info@thaipolycons.co.th</a>

Amount and type of total issued shares:

- As of February 3, 2017, the registered capital of TPOLY is Baht 692,868,493.
- Paid-up capital is Baht 566,892,947, divided into 566,892,947 ordinary shares with a par value of Baht 1.00 per share

## 6.2 General Information about Juristic Persons in which TPOLY Holds Shares over 10 percent

Company Name : **TPC Asset Company Limited (“TPCA”)**  
 Nature of Business : Property development  
 Head Office : 2, 4 Soi Prasert-Manukitch 29, Yak 8, Prasert-Manukitch Road, Chorakhehua, Ladprao, Bangkok  
 Registration Number : 0105554068498  
 Telephone : 0-2942-6491-6  
 Facsimile : 0-2942-6497  
 Website : [www.tpcasset.co.th](http://www.tpcasset.co.th)  
 E-mail Address : [info@tpcasset.co.th](mailto:info@tpcasset.co.th)

Amount and type of total issued shares:

- As of December 31, 2017, the registered capital of TPCA is Baht 230,000,000.
- Paid-up capital is Baht 230,000,000, divided into 2,300,000 ordinary shares with a par value of Baht 100.00 per share

Shareholding : 99.9996 percent

Company Name : **TPC Power Holding Public Company Limited (“TPCH”)**  
 Nature of Business : Biomass energy  
 Head Office : 2, 4 Soi Prasert-Manukitch 29, Yak 8, Prasert-Manukitch Road, Chorakhehua, Ladprao, Bangkok  
 Registration Number : 0107557000233  
 Telephone : 0-2943-2935-6  
 Facsimile : 0-2943-2935-6 ext. 444  
 Website : [www.tpcpower.co.th](http://www.tpcpower.co.th)

E-mail Address : [info@tpcpower.co.th](mailto:info@tpcpower.co.th)

Amount and type of total issued shares:

- As of December 31, 2017, the registered capital of TPCH is Baht 401,200,000.
- Paid-up capital is Baht 401,200,000, divided into 401,200,000 ordinary shares with a par value of Baht 1.00 per share

Shareholding : 41.26 percent

Company Name : **TPC Bangkok Supply Company Limited (“TPCB”)**

Nature of Business : Trading

Head Office : 2, 4 Soi Prasert-Manukitch 29, Yak 8, Prasert-Manukitch Road, Chorakhehua, Ladprao, Bangkok

Registration Number : 0105556008981

Telephone : 0-2942-6491-6

Facsimile : 0-2942-6497

Amount and type of total issued shares:

- As of December 31, 2017, the registered capital of TPCB is Baht 25,000,000, comprising 2,500,000 ordinary shares with a par value of Baht 10.00 per share
- Paid-up capital is Baht 25,000,000, divided into 2,500,000 ordinary shares with a par value of Baht 10.00 per share

Shareholding : 99.9990 percent

### 6.3 General Information about Other References

#### Securities Registrar

Registrar : Thailand Securities Depository Company Limited (“TSD”)

Address : 93 Stock Exchange of Thailand Building, Ratchadaphisek Road, Khwaeng Dindaeng, Khet Dindaeng, Bangkok 10400

Telephone : 0-2009-9388

Facsimile : 0-2009-9476

Website : <http://www.tsd.co.th>

#### Auditor



Company : D I A International Audit Company Limited  
Address : 316/22, Soi Sukhumvit 22, Sukhumvit Road, Khwaeng Khlong  
Toei, Khet Khlong Toei, Bangkok 10110  
Telephone : 0-2259-5300  
Facsimile : 0-2260-1553

## **PART II**

# **MANAGEMENT AND CORPORATE GOVERNANCE**

## 7. Securities and shareholders

### 7.1 Registered capital and paid-up capital

The registered capital and issued and paid-up capital as of December 31, 2017 were as follows:

<b>Registered capital</b>	692,868,493	Baht
<b>Paid-up capital</b>	566,998,107	Baht
<b>Divided into ordinary shares</b>	566,998,107	shares
<b>Par value</b>	Baht 1.00 per share	

### 7.2 Shareholders

#### (1) Major shareholders

(a) **Largest shareholders** – First 10 shareholders holding more than 0.5% of shares as of December 31, 2017.

Shareholders	Number of shares (share)	% of total shares held
1. Mrs. Kanoktip Chanpalangsri	199,341,938	35.157
2. Thai NVDR Co., Ltd.	23,288,324	4.107
3. Mr. Sahaskorn Chanpalangsri	22,981,145	4.053
4. Mrs. Sidyin Chanpalangsri	18,736,916	3.305
5. Miss Chanyanuch Nantakwang	13,816,500	2.437
6. Mr. Nop Ubonthip	11,722,401	2.067
7. Miss Sirin Kongudomsin	10,770,625	1.900
8. นายสุทัย เหลืองด่านสกุล	6,883,000	1.214
9. Mr. Thanapol Wangtheeraprasert	5,896,600	1.040
10. Mr. Chainarong Chanpalangsri	5,833,333	1.029
<b>Total 10 shareholders holding shares more than 0.5%</b>	<b>319,270,782</b>	<b>56.309</b>
<b>Total 4,211 shareholders</b>	<b>247,727,325</b>	<b>43.691</b>
<b>Total</b>	<b>566,998,107</b>	<b>100.000</b>

(b) **Group of major shareholders** whose movement had a marked influence on the establishment of corporate policy and strategy.

Shareholders	Number of shares (share)	% of total shares held
<b>Chanpalangsri Family</b>		
Mrs. Kanoktip Chanpalangsri	199,341,938	35.157
Mr. Sahaskorn Chanpalangsri	22,981,145	4.053
Mrs. Sidyin Chanpalangsri	18,736,916	3.305
Miss Chantakarn Chanpalangsri	5,833,333	1.029
Mr. Chainarong Chanpalangsri	4,433,000	0.782
<b>Total</b>	<b>251,326,332</b>	<b>44.326</b>

### 7.3 Issuance of other securities

**The issuance and offer for sales of warrants to purchase ordinary shares of TPOLY (TPOLY-W2)** – The Extraordinary Meeting of Shareholders, No. 1/2015 dated May 27, 2015 approved the issuance of warrants to purchase ordinary shares of Thai Polycons Public Company Limited (TPOLY-W2) to its existing shareholders under the following details:

<b>Issuer and Seller</b>	:	Thai Polycons Public Company Limited (“Company”)
<b>Name of Warrant</b>	:	Warrants to purchase ordinary shares of Thai Polycons Public Company Limited No.2 (“Warrants” or “TPOLY-W2”)
<b>Number of Warrants Issued</b>	:	Not exceeding 125,976,090 units
<b>Terms of Warrant</b>	:	Not exceeding 3 years from the issuance date
<b>Issuance Date</b>	:	29 June 2015, which is on the same date when the increasing in paid -up capital due to the capital increase for the issuance and offer for sales of capital-increase ordinary shares to the existing shareholders in accordance with the rights offering subject to the approval of the Extraordinary Meeting of Shareholders, No. 1/2015 dated May 27, 2015, has been registered.
<b>Expiration Date</b>	:	28 June 2018
<b>Exercise Price</b>	:	3 Baht per share (unless subsequently adjusted in accordance with the conditions on the right adjustment)
<b>Exercise Ratio</b>	:	1 unit of warrant has the right to purchase 1 new ordinary share (unless subsequently changed in accordance with the conditions on the right adjustment)



<b>Exercise Date</b>	:	Warrant Holders who are not the shareholders of TPOLY can exercise their rights to purchase the company's ordinary shares on the last business day of every quarter (the last business day of March, June, September, December) of each calendar year throughout 3 years from the issuance date, except the last exercise date to purchase the Company's ordinary shares shall be the date that such warrants aged 3 years from the issuance date which is falling on 28 June 2018. If the exercise date falls on a day which is not a business day, then the last exercise date shall be moved up to the business day prior to such exercise date.
<b>Notification period for the exercise of warrant</b>	:	Warrant Holders who wish to exercise their rights to purchase the Company's ordinary shares shall give notification to the Issuer within 5 days prior to each exercise date, except the last exercise date that the Warrant Holders must notify the Issuer within 15 days prior to the last exercise date. If the exercise date (each exercise date as well as the last exercise date) falls on a day which is not a business day of the Company, such exercise date shall be moved up to the business day prior to such exercise date, excluded the last notification period which shall notify within 15 days prior to the last exercise date

For the exercise of warrants to purchase the ordinary shares of Thai Polycons Public Company Limited (TPOLY-W2) to its existing shareholders in the total warrants of 125,976,090 units, the shareholders have exercised their rights as follows:

Exercise Date (No.)	Number of Shareholders Exercising the Rights		Exercise Price	Amount of Payment Received
	Number (person)	Number (shares)		
30 Sep 15 (No.1)	1	92	3	276
30 Dec 15 (No.2)	-	-	-	-
31 Mar 16 (No.3)	1	164	3	492
30 Jun 16 (No.4)	-	-	-	-
30 Sep 16 (No.5)	-	-	-	-
30 Dec 16 (No.6)	3	288	3	864
31 Mar 17 (No.7)	1	2,410	3	7,230
30 Jun 17 (No.8)	-	-	-	-
30 Sep 17 (No.9)	2	102,750	3	308,250
30 Dec 17 (No.10)	-	-	-	-

Regarding the amount of payment received from such exercise of rights, TPOLY has used it as the working capital. The warrants shall **expire on June 28, 2018, and the remaining unexercised warrants totaled 125,870,386 units** (data as of December 31, 2017).

#### 7.4 Dividend payment policy

**Dividend payment policy of Thai Polycons Public Company Limited** – TPOLY places the policy of making dividend payments to its shareholders for not less than 40 percent of the net profit according to separate financial statements after legal reserve and other reserves, except in case that the Company makes investments in other assets. However, such dividend payment must depend on the Company's cash flow. For the Company's subsidiaries/associated companies, their dividend payment policy to shareholders is relevant to the Company, that is, the Board of Directors of these subsidiaries/associated companies shall make the dividend payment by considering the operating results and investment plan according to necessities and appropriateness considered by the Board of Directors of these subsidiaries/associated companies.

Operating Result Year	2017	2016	2015	2014	2013	2012
Earning per share (Baht)	0.31	0.21	(0.52)	(0.61)	(0.99)	(0.45)
Dividend per share (Baht)	0.05	0.01153	-	-	-	-
Dividend payout (%)	25.44%	40.0196%	-	-	-	-

**Dividend payment policy of the subsidiary** or TPC Power Holding Public Company Limited ("TPCH"), which is a holding company.

TPCH and its subsidiaries place the policy of making dividend payments to their shareholders for not less than 40 percent of the net profit according to separate financial statements of TPCH or subsidiaries as the case may be after legal reserve. However, such dividend payment may be changed depending on the operating performance, financial status, liquidity, necessity in investment, additional investment, business expansion, conditions and restrictions as specified in the loan agreements, and other factors relating to the management as the Board of Directors and/or shareholders of TPCH or its subsidiaries consider it deems appropriate.

## 8. Management Structure

**8.1 Board of Directors.** The Regulations of the Company specifies that the Board of Directors of the Company shall comprise at least 5 directors and not less than a half of total directors must have domicile in the Kingdom of Thailand. Each director of the Company shall possess qualifications as required by law. In operating the Company's business, every director must perform his or her duties in accordance with laws, objectives, and Articles of Association of the Company as well as resolutions of the shareholders with integrity and care for the Company's interest.

As of December 31, 2017, the Board of Directors consists of 9 directors as listed below.

List of Directors	Title
1. Dr. Thanu Kulachol	Director/ Chairman of the Board/ Independent Director
2. Mrs. Kanoktip Chanpalangsri**	Director/ Chairman of the Executive Board
3. Mr. Pathompol Saosap	Director/ Executive Director/ President
4. Mr. Jackrit Pongprasert	Director/ Executive Director
5. Mr. Chainarong Chanpalangsri**	Director
6. Mr. Cherdasak Wattanavijitkul	Director
7. Dr. Supong Limtanakool	Director/ Chairman of the Audit Committee/ Independent Director
8. Mr. Pornthep Sawetwannakul	Director/ Member of the Audit Committee/ Independent Director
9. Dr. Srisuda Chongsithiphol*	Director/ Member of the Audit Committee/ Independent Director

The authorized directors to put signature on behalf of the Company are Mr. Pathompol Saosap, Mrs. Kanoktip Chanpalangsri, Mr. Jackrit Pongprasert, either two of them who jointly sign with the company seal affixed.

Details about directors, Management, controlling persons, and Company Secretary were presented in Attachment 1.

Details about directors and controlling persons of the Company and subsidiaries were presented in Attachment 2.

### Number of board meetings and number of meeting attendance by each director

List of Directors	Title	Board Meetings (After taking up office)	
		Number of Meetings	Number of Meeting Attendance
1. Dr. Thanu Kulachol	Chairman of the Board/ Independent Director/ Director	6	6
2. Mrs. Kanoktip Chanpalangsri	Director/ Executive Director	6	6
3. Mr. Pathompol Saosap	Director/ Executive Director	6	6
4. Mr. Jackrit Pongprasert	Director/ Executive Director	6	5*
5. Mr. Chainarong Chanpalangsri	Director/ Executive Director	6	6
6. Mr. Cherdasak Wattanavijitkul	Director	6	6 5*
7. Dr. Supong Limtanakool	Chairman of the Audit Committee/ Independent Director/ Director	6	6
8. Mr. Pomthep Sawetwannakul	Director/ Member of the Audit Committee/ Independent Director	6	6
9. Dr. Srisuda Chongsithiphol	Director/ Member of the Audit Committee/ Independent Director	1	6

\*Mr. Jackrit Pongprasert was absent from one meeting as he was struck in the meeting for delivering the construction project in other province.

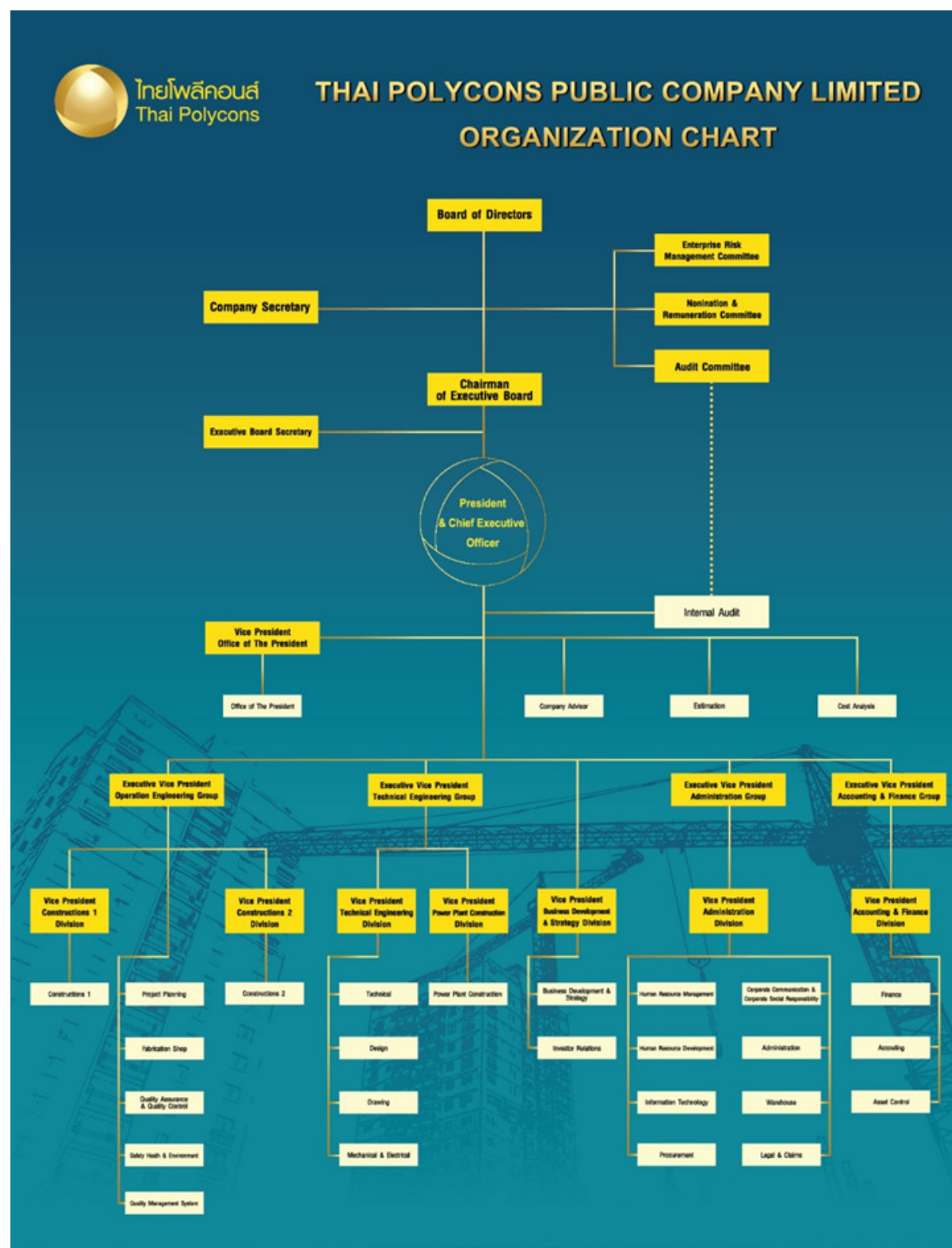
Mr. Chainarong Chanpalangsri was absent from one meeting as he travelled abroad.

## 8.2 Management

**8.2.1 Management structure of TPOLY** as of December 31, 2017 is shown below.

## Organization Chart

[www.thaipolycons.co.th](http://www.thaipolycons.co.th)



## 8.2.2 List and titles of executives as of December 31, 2017

List of Management	Title
1. Mrs. Kanoktip Chanpalangsri	Chairman of the Executive Board
2. Mr. Pathompol Saosap	President
3. Mr. Jackrit Pongprasert	Executive Vice President, Operation Engineering Division
4. Mr. Vikul Lohamongkol	Executive Vice President, Technical Engineering Division
5. Mr. Rattapat Rattanapun	Executive Vice President, Office Support Division
6. Mr. Adisorn Srisooksai	Executive Vice President, Finance and Accounting Division

**Note:** All executives are those defined by the Notification of the Office of the Securities and Exchange Commission

## 8.3 Company Secretary

The Board of Directors resolved to appoint Ms. Jariya Pinpet, a qualified person who has attended all training courses relating to the performance of duties as a company secretary from Thai Institute of Directors (IOD), as the Company Secretary, effective on July 1, 2015 to perform the following duties in accordance with Section 89/15 of the Securities and Exchange Act:

- (1) To centralize the documentation and document keeping;
- (2) To prepare and keep a register of directors;
- (3) To arrange meetings of shareholders, and prepare a notice calling shareholder meeting and a minute of shareholders' meeting;
- (4) To keep a report of interest filed by a director or an executive;
- (5) To arrange activities to strengthen the relationship between directors and executives;
- (6) To coordinate for compliance with resolutions of the Board of Directors; and
- (7) To perform other acts as assigned by the Board of Directors.

The qualifications of the Company Secretary were shown in Attachment 1.

## 8.4 Remuneration for Directors and Management

### 8.4.1 Money Remuneration

**8.4.1.1 Remuneration for directors.** The 2017 Annual General Meeting of Shareholders dated April 26, 2017 approved the remuneration for the Company's directors for Year 2017 as follows:



Title/ Remuneration	Attendance Fee (Baht/ Meeting)	Annual Remuneration (Baht)
Chairman of the Board of Directors	20,000	1,900,000
Chairman of the Audit Committee	20,000	1,000,000
Member of the Audit Committee	10,000	500,000
Director	10,000	-

Note: 1. A director shall receive the meeting attendance fee for 4 times a year only (a meeting with an agenda regarding the consideration and approval of financial statements), and he or she shall not be paid for any other meeting allowance apart from these 4 meetings.

2. Bonus for a non-executive director shall be paid provided that the Company earns the profit from its operating performance only. Bonus payment rate shall not exceed 0.5 percent of the net profit according to the Company's consolidated financial statements, but the maximum bonus payment shall not exceed Baht 1,625,000.

3. Remuneration for all directors shall not exceed Baht 6,000,000.

**In Year 2017 ended December 31, 2017, the remuneration paid to the Company's directors was as follows:**

List of Directors	Title	Number of Attendance	Remuneration for Directors (Baht)	
			Attendance Fee	Annual Remuneration
1. Dr. Thanu Kulachol	Chairman of the Board	6/6	80,000	1,900,000
2. Mrs. Kanoktip Chanpalangsri	Director	6/6	40,000	-
3. Mr. Pathompol Saosap	Director	6/6	40,000	-
4. Mr. Jackrit Pongprasert	Director	5/6	30,000	-
5. Mr. Chainarong Chanpalangsri	Director	6/6	40,000	-
6. Mr. Cherdsak Wattanavijitkul	Director	5/6	30,000	-
7. Dr. Supong Limtanakool	Chairman of the Audit Committee	6/6	80,000	1,000,000
8. Mr. Pomthep Sawetwannakul	Member of the Audit Committee	6/6	40,000	500,000
9. Dr. Srisuda Chongsithiphol	Member of the Audit Committee	6/6	40,000	500,000

Note: \*Number of attendance after taking up office

**Table comparing the remuneration payments between Year 2016 and 2017**

List of Directors	Title	Remuneration for Directors			
		2016		2017	
		Attendance Fee	Annual Remuneration	Attendance Fee	Annual Remuneration
1. Dr.Thanu Kulachol	Chairman of the Board	80,000	1,900,000	80,000	1,900,000
2. Mrs.Kanoktip Chanpalangsri	Director/ Chairman of the Executive Director	40,000	-	40,000	-
3. Mr.Pathompol Saosap	Director/ Executive Director	40,000	-	40,000	-
4. Mr.Jackrit Pongprasert	Director/ Executive Director	40,000	-	30,000	-
5. Mr.Chainarong hanpalangsri	Director/ Executive Director	30,000	-	40,000	-
6. Mr.Cherdsak Wattanavijitkul	Director	40,000	-	30,000	-
7. Dr.Supong Limtanakool	Chairman of the Audit Committee/ Independent Director/ Director	30,000	625,000	80,000	1,000,000
8. Mr.Pornthep awetwannakul	Director/ Member of the Audit Committee/ Independent Director	30,000	500,000	40,000	500,000
9. Dr.Srisuda Chongsithiphol	Director/ Member of the Audit Committee/ Independent Director	10,000	125,000	40,000	500,000
<b>Total</b>		<b>360,000</b>	<b>3,900,000</b>	<b>420,000</b>	<b>3,900,000</b>

**8.4.1.2 Remuneration for executives.** Money remuneration for executives includes the salary and bonus (only an executive as defined in the Notification of the Office of the Securities and Exchange Commission).



Unit: Baht	Number of Persons	Year 2016	Number of Persons	Year 2017
Salary, Bonus	9	17.37 million	9	22.62 million

\*\*\*Remuneration for executives as shown in Notes to the Financial Statements has already included the remuneration for top executives for project works.

## 8.4.2 Other remuneration

### 8.4.1.2 Other remuneration for directors

- None –

### 8.4.2.2 Other remuneration for executives

- None –

## 8.4.3 Policy of Director Development

The Board of Directors has the policy of encouraging all directors to develop their knowledge regularly. Therefore, certain training courses are continuously provided for the directors for their higher competency and improved performance, e.g. designating the directors to attend various training courses or seminars for higher potential and better knowledge and experience.

## 8.5 Personnel

### 8.5.1 Number of personnel

As of December 31, 2017, the Company had 355 employees (excluding daily employee), which may be divided by division as follows:

Division	Number of Employees Year 2017
<b>Operation Engineering</b> - Construction - Fabrication Shop	170
<b>Technical Engineering</b> - Power Plant Construction	

Division	Number of Employees Year 2017
<ul style="list-style-type: none"> <li>- Technical</li> <li>- Design</li> <li>- Drawing</li> <li>- Mechanical and Electrical</li> </ul>	29
<b>Office Support</b> <ul style="list-style-type: none"> <li>- Human Resource Management</li> <li>- Human Resource Development</li> <li>- Information Technology</li> <li>- Procurement</li> <li>- Corporate Communication and Social Development</li> <li>- Administration</li> <li>- Warehouse</li> <li>- Legal</li> </ul>	61
<b>Accounting and Finance</b> <ul style="list-style-type: none"> <li>- Finance</li> <li>- Accounting</li> <li>- Asset Control</li> <li>- Investor Relation</li> </ul>	22
<b>Others</b>	73
<b>Total</b>	<b>355</b>

### 8.5.2 Compensation for employees

The Company and its subsidiaries paid compensation to employees in forms of salary, bonus, cost of living, health insurance benefits, special benefits, social security fund, and provident fund and others as detailed below.

Company	Year 2016 (Million Baht)	Year 2017 (Million Baht)
Thai Polycons Plc.	158.91	170.89
TPC Asset Co., Ltd.	8.60	9.74
TPC Power Holding Plc.	11.10	31.24
TPC Bangkok Supply Co., Ltd.	0.8	2.02
<b>Total</b>	<b>179.41</b>	<b>213.89</b>

### **8.5.3 Human Resource Development Policy**

In providing the construction service, human resources are so essential. The Company and its subsidiaries, therefore, focus on strengthening spirit and morale among their employees, and offering well-being to them so that they will be able to perform their work efficiently, which will subsequently drive the organization to grow securely and sustainably. In this regard, the Company provides the cost of living, health insurance benefits, special benefits, provident fund, and others to all employees.

The Company places the policy of developing its employees at all levels consistently with an aim at improving their knowledge, skills, expertise, and work efficiency. The Company and subsidiaries encourage all personnel to enhance on the job-training knowledge and expertise. New-coming employees will be trained by supervisors of each line. The Company and subsidiaries also send their employees and executives in each field to attend other external training courses and seminars on matters relating to their work.

The Company and subsidiaries prioritize the personnel competence development, and attempt to build the qualified personnel for the corporate growth. The personnel development strategy involves:

- 1) Continual development of executives and employees at all levels to shift their work competency by promoting and encouraging all of them to continue studies or attending training courses and seminars.
- 2) Preparation of training road map of each title so that all staffs have competence most relevant to their titles and career path, and they are prepared for work succession.
- 3) Promotion for personnel development by coaching and on the job training.
- 4) Encouraging staffs to perform works on the principle of morality and corporate governance by paying respect to and promoting good persons.
- 5) Encouraging staffs to adhere to the corporate culture, have the entrepreneurship attitude, have awareness of team-working, and provide good and impressive services to all internal and external clients.

## **9. Corporate Governance**

### **Good Corporate Governance**

The Board of Directors extremely prioritizes the good corporate governance, and has continuously arranged the good corporate governance system, and defined the corporate governance policy as it foresees that this is so important and essential for a sustainable

business growth. The Board of Directors has determination and strong intention to comply with such principle. The Company's policy and operation direction are formulated by focusing on the internal control system and internal audit so that the Company's Management could implement the established policy efficiently for the long-term interest to the Company's shareholders under applicable laws and business ethics.

The Company has determination to improve and develop the good corporate governance, and make any of its practice guidelines internationalize based on benefits of shareholders, all groups of stakeholders, and general public, which shall be beneficial to competitiveness and growth of Thai capital market.

The Board of Directors wishes that the Company has a sustainable development, transparency, and genuine corporate governance, which must be responsible for and retain the interest of all stakeholders and general public, develop the personnel to be good and morale people, promote knowledge and quality of life, and improve the environment for social responsibility.

The Board of Directors provides "Good Corporate Policy" to promote the principle of corporate governance in the organization. This policy focuses on business operation under transparency, morality, ethics, and integrity based on "Code of Conduct" to be good guidelines for the Company's directors, executives and employees, and all groups of stakeholders, which shall make the Company a sustainable organization eventually.

## **9.1 Corporate Governance Policy**

The Company establishes "Corporate Governance Policy" and "Code of Conduct" as working guidelines for all directors, executives, and employees. The Board of Directors provides a written good corporate governance policy of the Company. The good corporate governance policy (revised) was approved by the Board of Directors in the Meeting of the Board of Directors.

### **9.1.1 Contents contained in "Code of Conduct" are:**

- 1) Code of Conduct for business operation
- 2) Business undertaking guideline
- 3) Anti-corruption policy
- 4) Policy of preventing events inducing corruption
- 5) Code of Conduct of executives and staffs
- 6) Requirements prohibiting executives and staffs' practices possibly provoking conflicts of interest, as well as penalties in case of violation

- 7) Policy of regulating the use of internal information
- 8) Code of Conduct for stakeholders
- 9) Submission of complaints and suggestions
- 10) Discipline

Note: All details of each topic are posted via <http://www.thaipolycons.co.th/investor>

The Company communicates its good corporate governance policy via several channels such as written manual, dissemination via the Company's internet system ([www.thaipolycons.co.th](http://www.thaipolycons.co.th)), etc. with an aim at allowing staffs, shareholders, and all groups of stakeholders of the Company to be aware of and realize the Company's intent to move forward with better retention of good corporate governance.

**9.1.2 The Company has the corporate governance policy in accordance with the Principle of Good Corporate Governance as described below.**

**Chapter 1 Rights of Shareholders:**

The Company has given priority to rights and equal treatment of shareholders in receiving any information about the Company and subsidiaries accurately, completely, adequately, timely, and equitably for their decision-making on all matters. The Board of Directors, therefore, has policy as follows:

1) The Company shall deliver the meeting notice as well as enclosures of agenda items adequately for shareholders' consideration. The meeting notice shall be delivered in advance at least 14 days prior to the meeting date to ensure that the shareholders have time to study all information completely. The shareholders who are unable to present at the meeting may appoint an independent director or any person to attend the meeting on their behalf by using the proxy form as delivered together with the meeting notice. The Company also facilitates every shareholder equitably for his/her meeting attendance by fixing the most appropriate venue and time.

2) In a meeting of shareholders, the shareholders shall consider and vote based on the sequence of agenda items without changing any significant information or adding agenda items urgently. The shareholders have an equitable right to examine the operations of the Company and subsidiaries by raising questions, and expressing opinions and advice. The directors and all related executives must attend the meeting of shareholders together to clarify questions raised in the meeting.

3) The Company uses technology in the meeting of shareholders to facilitate the attendance registration and vote counting, and to present the voting results so that the meeting is undertaken rapidly and accurately. Independent persons are also assigned to count and check the votes in each ordinary meeting or extra-ordinary meeting of shareholders, which shall be disclosed to the meeting for acknowledgement, and recorded in the minutes of meeting.

4) The shareholders have one more channel to receive the information via the Company's website. All related information and details are posted at the Company's website, especially the meeting notice, which shall be disseminated prior to the meeting date to enable the shareholders to download the information and agenda items conveniently.

### **Chapter 2 Equitable Treatment to Shareholders:**

The Company determines the equitable treatment to every shareholder; therefore, the Board of Directors of the Company places the following policy:

1) The meeting notice together with enclosures of all agenda items must be delivered to the shareholders at least 14 days prior to the meeting date to ensure that they are able to study all information completely before the meeting.

2) To facilitate the shareholders unable to attend the meeting, they may appoint a person or an independent director as their proxies to attend the meeting and vote on their behalf. The list of independent directors is indicated in the meeting notice.

3) Every shareholder shall be treated equitably, either major or minor shareholder, Thai or foreign shareholder.

4) The Company prioritizes the oversight of internal information use by providing a written Code of Conduct covering the internal information used by its staffs and executives. Penalties for information disclosure or internal information use for personal interest are also imposed in accordance with the preventive policy of internal information misuse.

### **Chapter 3 Consideration for Role of Stakeholders:**

The Company and subsidiaries are aware of and recognize the rights of all groups of stakeholders, either internal stakeholders like shareholders and employees, or external stakeholders like clients, creditors, competitors, government sector, and other agencies as well as neighboring communities so that every group shall be treated equitably and fairly because the Company and subsidiaries have been supported by these stakeholders; this provokes competitiveness and profit to the Company and subsidiaries, which creates the long-term value for the Company and subsidiaries in the long run. The policy on this matter involves:

### **1) Policy and practice guideline to employees**

The Company and subsidiaries attach significance to their staffs as they are a factor of success in goal attainment set by the Company and subsidiaries. They would be cared for work opportunities, compensation, promotion and rotation, potential development, and sufficient work safety. The policy implementations are as follows:

1.1) The Company and subsidiaries offer appropriate and fair compensation to every employee.

1.2) The Company and subsidiaries maintain the workplace environment to be safe for their life and properties.

1.3) Appointment and rotation, and reward and penalty by the Company and subsidiaries are undertaken by equality, honesty, and fairness and based on knowledge, ability, and appropriateness of each employee.

1.4) The Company and subsidiaries encourage the employees to improve knowledge and abilities thoroughly and regularly.

1.5) The Company and subsidiaries comply with all related laws and regulations on employees stringently.

### **2) Policy and practice guideline to shareholders**

The Company and subsidiaries have always realized that the shareholders are the business owner. The Company and subsidiaries have a duty of adding the long-term business value for these shareholders. Therefore, the Company and subsidiaries' directors, executives, and employees must comply with the following policy:

2.1) The Company and subsidiaries attempt to arouse the business growth to ensure that the shareholders shall obtain good returns.

2.2) The Company and subsidiaries respect the shareholders' right in receiving any necessary information for their assessment on the Company and subsidiaries' Management. Therefore, the Company and subsidiaries' operating performance together with financial statements shall be disclosed to the shareholders accurately and regularly in accordance with the international standards as accepted by local and international capital markets.

2.3) The Company and subsidiaries record the accounting transactions accurately and completely in accordance with accounting standards and related laws, which are certified by the internal auditor, the Audit Committee, and the independent auditor of the Company.

### **3) Policy and practice guideline to clients**



The Company and subsidiaries recognize the importance of clients, the policy of best practices toward clients is established as follows:

3.1) The service must be provided to clients enthusiastically and politely. They must obtain the sincere, willing, and pleasant care and welcome while the service must be provided rapidly, precisely, and creditably.

3.2) The clients' information must be confidential, which must not be used for personal interest or be used by any related persons unlawfully.

3.3) The accurate, adequate, and timely service information must be provided to clients without exaggerated information, which may make them misunderstand about the service quality or conditions provided by the Company and subsidiaries.

3.4) The advice on service procedures provided by the Company and subsidiaries must be efficient and most beneficial to clients.

#### **4) Policy and practice guideline to partners and competitors**

The Company and subsidiaries operate the business based on integrity, ethics, and morality, which is the guideline of the right and sustainable business operation. Therefore, the Company and subsidiaries stringently adhere to laws applicable to business under transparency, morality, and accountability.

4.1) The Company and subsidiaries wish that the product and service supplies are based on standards and ethics and under the following principles:

4.1.1) Competition among bidders to be selected appropriately and fairly

4.1.2) Criteria of partner assessment and selection

4.1.3) Preparation of an appropriate and international contract

4.1.4) System establishment for arranging and monitoring the compliance with the contract to ensure that the provisions set forth in the contract are complied with completely in order to prevent any corruption and misconduct at every stage of the procurement process.

4.2) The Company and subsidiaries intends to improve and retain a sustainable relationship with clients who have the precise purposes regarding technical quality, product and service value suitable to the money value, and trust on each other.

4.3) The Company and subsidiaries have no policy permitting their directors and employees to privately receive any interest from partners.

4.4) The Company and subsidiaries shall conduct under good competition criteria.





4.5) The Company and subsidiaries shall acquire the business competitors' confidential information by any dishonest or inappropriate methods.

4.6) The Company and subsidiaries shall not make allegation against business competitors without ungrounded facts.

#### **5) Policy and practice guideline to the society and environment**

5.1) The Company and subsidiaries set a business operation policy of caring for environment, and complying with any and all applicable laws and regulations.

5.2) The Company and subsidiaries shall encourage their employees to have awareness and responsibility to the environment.

5.3) The Company and subsidiaries shall consistently and regularly share knowledge and experience with other persons and agencies regarding environmental conservation, and improvement of production and work performance to be suitable to the environment.

5.4) The Company and subsidiaries shall pay respect to the tradition and culture of each locality.

5.5) The Company and subsidiaries shall give cooperation in activities arranged by communities where the Company and subsidiaries operate the business as it deems appropriate.

#### **6) Anti-corruption policy**

The Company and subsidiaries position the business operation based on transparency and morality. They adhere to the responsibility to the society and all groups of stakeholders according to the Principle of Good Corporate Governance as well as the policy and best practices to those stakeholders. To ensure that the Company has policy defining responsibility, best practices, and appropriate requirements for further undertaking to prevent corruption in every business activities of the Company and subsidiaries, and to make any decision-making and business operation risky to corruption be considered and treated prudently and appropriately, A written "Anti-corruption policy" is provided by the Company as a clear practice guideline in the business operation.

#### **Chapter 4 Information Disclosure and Transparency:**

The Board of Directors intends to supervise the compliance with any related laws, rules, and regulations regarding information disclosure. The Company and subsidiaries attach significance to accurately, completely, and transparently disclose information of the Company and subsidiaries, as well as other financial and non-financial information so that all related

parties obtain the information equitably. The Company's information shall be disclosed to the shareholders and general people via information disclosure channels and media provided by the Stock Exchange of Thailand and the Company's website.

The Company also attaches great significance to its financial statements to reflect its actual financial status and operating results. Such financial statements must be based on the complete, accurate, and adequate accounting information in accordance with generally accepted accounting principles. Details about each director of the Company and subsidiaries, as well as roles and duties of the Board of Directors, and sub-committees, remuneration for directors and top Management are also disclosed in the Company's Annual Report (Form 56-2) and Annual Registration Statement (Form 56-1).

## **Chapter 5 Responsibility of the Board of Directors:**

The Board of Directors takes responsibility to the shareholders for business operation of the Company and subsidiaries, and business supervision to be in line with purposes and guideline for the shareholders' best interest, and to consider the interest of all stakeholders. The Board of Directors must perform duties in compliance with laws, objectives and regulations of the Company, and resolutions of the shareholders' meeting and in good faith for utmost interests of the shareholders and stakeholders in the short and long term. To ensure that the operations of the Company and subsidiaries provoke the utmost interests to the shareholders and stakeholders, the Board of Directors supervises the preparation of vision, mission, goals, policies, operation direction, strategic plans, work plans, and annual budget of the Company and subsidiaries. The Board of Directors shall jointly share opinions for a mutual understanding of business overview before giving approval. The Board of Directors has policy of the minimum meeting quorum that a resolution by the board meeting must be passed by not less than two-thirds of votes of the total directors. The Board of Directors also monitors the Company's Management to ensure that it is in line with the established goals by adhering to the guidelines given by the Stock Exchange of Thailand and the Office of the Securities and Exchange Commission.

### **1) Composition of the Board of Directors**

The Board of Directors comprises the directors with knowledge, abilities, and experience in business operation. The Board has duty of placing policies, vision, strategy, goals, mission, business plan, and budget of the Companies and subsidiaries, and of directing the management team to perform work in accordance with the established policies efficiently and proficiently under applicable laws, objectives, Articles of Association, and resolutions of the

shareholders' meetings and board meetings based on accountability, integrity, and prudence subject to the Principle of Best Practices in order to enhance the highest economic value for the business, and the highest security for the shareholders.

The Board of Directors consists of 9 members; 4 of them are executive directors and 5 of them are non-executive directors whereas 4 out of 5 directors are independent directors. The proportion of independent directors of the Company exceeds one-thirds of total number of directors. Each independent director holds full qualifications in accordance with the Notification of the Capital Market Supervisory Board, and the Notification of the Stock Exchange of Thailand in order that the management inspection would be independent.

## **2) Roles and duties of the Board of Directors**

The Company imposes that the Board of Directors must comply with the Code of Best Practice as established by the Stock Exchange of Thailand. The Board of Directors must understand and realize the roles, duties, and responsibilities. Meanwhile, it must perform duties in full conformity with laws, objectives and regulations of the Company, and resolutions of the shareholders' meeting and in good faith for utmost interests of the shareholders and stakeholders. The Board of Directors has a duty of formulating the policies, business goals, business plans, as well as budget of the Company, and of directing the Management to perform acts in line with such policies, work plans, and budget efficiently and proficiently for utmost interests of the Company and shareholders.

## **3) Meeting of the Board of Directors**

It is determined that at least 4 board meetings must be held per year. Any extraordinary meeting may be held as necessary, which must be informed in advance for at least 7 days. The Company Secretary has a duty of delivering a meeting notice together with the meeting agenda items and all related enclosures in advance so that the directors have adequate time to study all information prior to the meeting. Not less than a half of total directors shall constitute the quorum.

The Chairman of the Board of Directors shall preside over the meeting. He/she has a duty of allocating sufficient time for each agenda while each director has independence to share his/her opinions in significant issues by considering interests of the shareholders and other related persons.

In each meeting, a director with conflicts of interest in a particular agenda item must leave the meeting while considering the said agenda and he/she has no right to vote for such agenda item.

A resolution depends on the majority vote. An objection to such resolution by any director shall be recorded in the minutes of meeting.

In considering any agenda item, a director holds the right to see or inspect any related documents. The Board may ask the executives relating to such agenda item to attend the board meeting to clarify additional information.

The Company Secretary has duties of note-taking and completing the minutes of meeting within 14 days, keeping the minutes of meeting and enclosures, supporting the Board of Directors to perform duties as required by laws, Articles of Association, and resolutions of the shareholders' meeting, and coordinating with all related persons.

#### **4) Remuneration to the Board of Directors**

The Company's remuneration for directors is determined precisely and transparently based on its operating results, mission, responsibilities, and performance of duties of the Board of Directors, which must be beneficial to the Company. The said remuneration is fixed by comparing it with other companies in the same size and business nature. The remuneration includes:

- 1) Meeting attendance fee
- 2) Annual remuneration
- 3) Bonus for non-executive directors.

The total amount of remuneration for 3 items above must not exceed Baht 6,000,000. The Board of Directors shall initially consider the remuneration for directors before proposing it to the shareholders' meeting for approval in each year.

#### **5) Development of Directors and Top Executives**

The Board of Directors determines that every new director must attend the orientation program to shape his/her knowledge and understanding in the Company's business and activities. Meanwhile, the Board has a policy of offering new knowledge and viewpoints to all directors by encouraging the regular meetings between directors and top executives to share opinions, and to prepare them for the duty of directorship. At the same time, the Board of Directors has policy of promoting and facilitating for training and education to any persons related to the Company's corporate governance system, including directors, members of the Audit Committee, and executives so that they would improve their performance consistently such as training and seminar courses arranged by Thai Institute of Directors Association, The Stock Exchange of Thailand, and The Office of Securities and Exchange Commission, etc. The Board of Directors also plans for the management succession to ensure that the Company



would engage capable and qualified executives to perform duties, and the company management would be consistent.

#### **6) Annual Report of the Board of Directors**

The Board of Directors is responsible for the preparation of the Company's financial statements and financial information as presented in the Company's Annual Report. The financial statements are, at all time, prepared in accordance with generally accepted accounting principles under an appropriate accounting policy, regular practice, and prudent discretion. The Board of Directors assigns the Audit Committee to supervise the quality of financial statements, and to give opinions toward them to the Board of Directors.

#### **7) Board Self-evaluation**

The Company places the policy that the Board of Directors of the Company must have at least one performance evaluation in each year in order that the Board of Directors reviews its work performance. Each director shall provide his or her opinion toward the performance of the Board whether it imposes, performs, and take actions appropriately or not. Such evaluation shall be beneficial to the Board of Directors' performance of duties as it enables the Board of Directors to analyze any and all obstacles, and to find out the solutions for the Board's higher work efficiency.

The Company Secretary shall deliver the board evaluation form, in accordance with the evaluation form stipulated by the Stock Exchange of Thailand, to every director for the board self-evaluation and individual evaluation. The completed evaluation form shall be returned to the Company Secretary to calculate the entire evaluation scores. The board's performance evaluation in a particular year shall be analyzed and reported to the Board of Directors for consideration pursuant to the foregoing objectives. In 2017, the Company's board self-evaluation was provided for the first time in the Meeting of the Board of Directors, No. 1/2018 dated February 26, 2018. The evaluation criteria were calculated from full scores in each item as listed below.

100	scores	=	Excellent
81-99	scores	=	Very Good
61-80	scores	=	Quite Good
41-60	scores	=	Fair
0-40	scores	=	To be improved

#### **8) Policy and Practice of Directors and the President for Holding Directorship in Other Companies**

The Board of Directors focuses on efficient performance of duties of every director who must be able to fully contribute his or her time to manage the Company's business. Therefore, it is stipulated in the Company's policy that each director is entitled to hold directorship for not more than 5 listed companies. At present, no director of the Company holds directorship in more than 5 listed companies.

The Board of Directors also defines the policy of holding directorship in other companies by directors and the President of the Company that a director and the President are prohibited to operate the business, which is in the same nature to the Company or competes with the Company, not become the partner in an ordinary partnership or the general partner in a limited partnership or the director of a private company or other companies whose business operations are similar to those of the Company, or compete with the Company's business, either such holding of directorship is done for his or her personal interest or others' interest unless it is informed to the shareholders' meeting before passing the resolution for such appointment.

At present, the directors and the President of the Company have not held directorship in any companies whose business operations are similar to those of the Company, or compete with the Company's business. The directors and the President have not yet been involved as the partner in an ordinary partnership or the general partner in a limited partnership or the director of a private company or other companies whose business operations are similar to those of the Company, or compete with the Company's business.

## **9) Directorship Term**

The Company complies with the Public Limited Company Act B.E. 2535, that is, one-thirds of the total number of directors of the Company shall vacate office in every annual general meeting of shareholders. The Board of Directors must comprise the knowledgeable and skillful directors. The number of directors must also fit to the business size of the Company. At present, the Board of Directors consists of 9 members, which includes 4 executive directors, 1 non-executive director, and 4 independent directors. Tenure of each director is 3 years.

## **10) Securities Holding Report**

A qualified person elected as director is required to report the securities held by him or her or his or her spouse and minor children to the meeting of the Board of Director. Whenever any director, his or her spouse and minor children makes the transaction of trading securities of

the Company, it must be reported to the next meeting of the Board of Directors. The securities held by directors as of 31 December 2017 were as follows:

List of Directors	Holding of Securities of Thai Polycons Public Company Limited				
	As of 31 Dceember 2017		Changes during the year	As of 31 December 2017	
	Held by director	Held by spouse and minor children		Held by director	Held by spouse and minor children
1. Dr. Thanu Kulachol	-	-	-	-	-
2. Mrs. Kanoktip Chanpalangsri	241,499,999	-	Yes	199,341,938	-
3. Mr. Pathompol Saosap	699	-	No	699	-
4. Mr. Jackrit Pongprasert	-	-	-	-	-
5. Mr. Chainarong Chanpalangsri	6,433,333	-	Yes	5,833,333	-
6. Mr. Cherdsak Wattanavijitkul	1,136,484	-	No	1,136,484	-
7. Dr. Supong Limtanakool	-	-	-	-	-
8. Mr. Pornthep Sawetwannakul	-	-	-	-	-
9. Dr. Srisuda Chongsithiphol	-	-	-	-	-

## 9.2 Committees

The Company's directorship structure involves the Board of Directors, 2 committees, e.g. The Audit Committee and the Executive Board, and Management.

The directors, the Audit Committee, executive directors, and Management of the Company hold full qualifications with no forbidden characteristics as defined in Section 68 of the Public Limited Company Act, B.E. 2535. They have neither characteristic indicating a lack of appropriateness in respect of trustworthiness in managing business whose shares are held by public shareholders as specified in Section 89/3 and 89/6 of the Securities and Exchange Act, B.E. 2535, and in any related notifications of the Capital Market Supervisory Board. Each committee has the power, duties, and responsibilities as described below.

**9.2.1 The Board of Directors.** As of December 31, 2017, the Board of Directors consists of 9 directors as listed below.

Directors	Title	Total Number of Meeting Attendance (after taking up office)
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		Year 2016	Year 2017
1. Dr. Thanu Kulachol	Chairman of the Board/ Independent Director	6/6	6/6
2. Mrs. Kanoktip Chanpalangsri**	Director	6/6	6/6
3. Mr. Pathompol Saosap	Director	6/6	6/6
4. Mr. Jackrit Pongprasert	Director	5/6	5/6
5. Mr. Chainarong Chanpalangsri	Director	5/6	6/6
6. Mr. Cherdsak Wattanavijitkul	Director	6/6	6/6
7. Dr. Supong Limtanakool	Director	5/6	6/6
8. Mr. Pornthep Sawetwannakul	Director	5/6	6/6
9. Dr. Srisuda Chongsithiphol	Director	1/1	6/6

Note : Directors No. 1-9 have already attended the training courses arranged by Thai Institute of Directors Association for Director Accreditation Program (DAP) arranged by Thai Institute of Directors Association.

### **Scope of Authority and Duties of the Board of Directors**

1) Have the authority and duties in accordance with the Civil and Commercial Code together with any other laws prescribing it is the authority or duty of a director or the Board of Directors of a public limited company.

2) Have the authority and duties of directors in accordance with the Articles of Association of the Company.

3) Consider and approve long-term plans, work plan, budget and annual investment budget.

4) Operate the Company's business in conformity with laws, objectives, Articles of Association of the Company, and resolutions of shareholders' meetings.

5) Establish the Company's management plan and policy, and examine the Company's operating performance.

6) Formulate the Company's regulations.

6.1) appoint the Executive Board of Directors, or delegate a director or several directors or any other person to act on behalf of the Board of Directors and under the scope of authority permitted to the Board of Directors, and also have the right to cancel, revoke, alter, or change such authority.

6.2) consider and approve any other important activities relating to the Company or it deems appropriate to undertake such activities for the Company's interest, except the following matters that can be undertaken upon approval of the shareholders'



meeting. For a transaction in which a director or person who may have a conflict, interest, or any other conflict of interest with the Company and subsidiaries, the said director with a conflict of interest in such matter has no right to vote for it, including:

6.2.1) a matter required by law that it must be resolved by the shareholders' meeting.

6.2.2) a transaction in which a director has interest and it is prescribed by laws or requirements of the SET that it must be approved by the shareholders' meeting.

6.2.3) in either of the following cases, it must be passed by votes for not less than three-fourths of the total votes of the shareholders who attend the meeting and have the right to vote:

6.2.3.1) sale or transfer of business of the company, in whole or in essential part, to other persons

6.2.3.2) purchase or acceptance of transfer of business of other companies or private companies by the company

6.2.3.3) entering into, amending, or terminating a lease of business of the company in whole or in essential part; entrusting other person with the Management of the company; or amalgamating business with other persons with the objective to share profit and loss

6.2.3.4) amendment of the memorandum of association or the articles of association of the company

6.2.3.5) capital increase, capital reduction, issuance of debentures, amalgamation or dissolution of the company

6.2.3.6) other matters as required by law

**9.2.2 The Audit Committee.** Members of the Audit Committee as of December 31, 2017 were as follows:

Name	Title	Number of Meeting Attendance/ Total Meetings (after taking up office)	
		2016	2017
1. Dr. Supong Limtanakool	Chairman of the Audit Committee/ Independent Director	3/4	4/4
2. Mr. Pornthep Sawetwannakul	Member of the Audit Committee/ Independent Director	3/4	4/4
3. Dr.Srisuda Chongsithiphol	Member of the Audit Committee/	3/4	4/4



	Independent Director		
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Note: 1) Mr. Pornthep Sawetwannakul and Dr. Srisuda Chongsithiphol are members of the Audit Committee who have engaged sufficient knowledge and experience to review the reliability of the Company's financial statements.

2) Mr. Vatcharachai Somboonying acted as the Secretary to the Audit Committee

### **Scope and Duties and Authority of the Audit Committee**

1) Review the accuracy and adequacy of the Company's financial reports by coordinating with external auditors and executives of the Company, who are responsible for preparing the Company's quarterly and yearly financial reports. The Audit Committee may give advice to the auditors to review or audit any transaction it deems necessary or significant while the Company's account is being audited.

2) Review the appropriateness and efficiency of the Company's internal control and internal audit in collaboration with the Company's external and internal auditors; consider the independence of the Internal Audit Section including comments on appointment, rotation, termination for the head of the Internal Audit Section or any other works related to the internal audit.

3) Review the Company's operation to ensure that it complies with the Securities and Exchange Act, regulations of the Stock Exchange of Thailand, and any other laws relevant to the Company's business.

4) Consider, select, and nominate an independent person to act as the Company's Auditor, including remuneration for the Auditor based on reliability, sufficiency of resources, and scope of audit work performed by such audit firm, as well as experience of persons assigned to audit the Company's account; and attend the meeting with the Auditors except the Company's executives at least once a year.

5) Consider connected transactions, and transactions involving conflicts of interest to ensure that they are in compliance with the related laws and regulations of the Stock Exchange of Thailand reasonably, and most beneficial to the Company.

6) Perform any other acts as assigned by the Board of Directors and approved by the Audit Committee; review the financial management and risk management policy; review the compliance with the Code of Conduct by the Company's executives; review with the Company's executives any important reports to be disclosed to the public as required by laws, e.g. Management Discussion and Analysis, etc.

7) Prepare and disclose the “Reports of the Audit Committee” as approved by the Chairman of the Audit Committee in the Company’s annual report. The said report must cover at least the following details:

7.1) comments on accuracy, completion, and reliability in the preparation and disclosure of information in the Company’s financial report

7.2) comments on sufficiency of the Company’s internal control system

7.3) comments on the Company’s compliance with the Securities and Exchange Commission Act, regulations of the Stock Exchange of Thailand, and other laws relevant to the Company’s business

7.4) comments on appropriateness of the independent auditor

7.5) comments on transactions involving conflicts of interest

7.6) disclosure of the number of Audit Committee meetings and the individual meeting attendance of the Audit Committee

7.7) comments or notices that have arisen as the Audit Committee performed its duties as defined in its charter

7.8) any other concerns that should be made available to shareholders or general investors under the scope of duties and responsibilities assigned by the Board of Directors

**9.2.3 Executive Board of Directors.** The Executive Board of Directors as of December 31, 2017 included:

Name	Title
1. Mrs. Kanoktip Chanpalangsri*	Chairman of the Executive Board
2. Mr. Pathompol Saosap	Executive Director
3. Mr. Jackrit Pongprasert	Executive Director
4. Mr. Vikul Lohamongkol	Executive Director
5. Mr. Adisorn Srisooksai	Executive Director

Note: \*Executive Director, No. 1 was appointed as Chairman of the Executive Board by the Meeting of the Board of Directors, No. 1/2017 dated January 30, 2017.

Name	Title	Number of Meeting Attendance/ Total Meetings (after taking up office)	
		2016	2017
1. Mrs. Kanoktip Chanpalangsri	Chairman of the Executive Board	20/22	23/24
2. Mr. Pathompol Saosap	Executive Director	19/22	24/24
3. Mr. Jackrit Pongprasert	Executive Director	22/22	24/24
4. Mr. Vikul Lohamongkol	Executive Director	9/9	24/24
5. Mr. Adisorn Srisooksai	Executive Director	9/9	24/24

### Scope of Duties and Authority of the Executive Board

1) Have authority to make decisions on the Company's important operating activities by defining the scope, type, or size of mission, objectives, direction, and policy; and oversee the Company's overall operation, output, and customer relationship under the scope of work plan and budget approved by the Board of Directors.

2) Consider and approve the procurement, additional investments, sales and purchase of permanent assets by the Company under the scope as approved by the Board of Directors.

3) Have authority to purchase general construction materials in the amount not more than Baht 20 million, purchase steel and concrete in the amount not more than Baht 80 million, and employ a contractor and/or sub-contractor in the amount not more than Baht 150 million.

4) Have authority to enter into transactions with financial institutions, as well as borrowing and opening bank accounts under the scope defined by the Board of Directors.

5) Have authority to perform acts and present himself/herself to the outsiders as the Company's representative in the business relating and beneficial to the Company.

6) Consider the Company's mobilization to be proposed to the Board of Directors.

7) Approve the appointment of consultants necessary to the Company's operation.

8) Proceed with the activities relating to the Company's general operation.

9) Consider and approve the operating plan of each department in the Company; and consider and approve the requests from the Company's departments that are beyond their authority.

10) If the operation based on the work plan as approved by the Board of Directors needs a budget higher than the approved budget for 10 percent, propose such operation to the Board of Directors for approval.

For the aforesaid delegation, the Executive Board of Directors must comply with any and all requirements and rules as approved by the Board of Directors of the Company. The Executive Board must not approve any transactions in which it or person with potential conflicts of interest has or may have the conflicts of interest in any other manner with the Company and subsidiaries. Such transactions must be disclosed to the Board of Directors for consideration as well.

The Executive Board is not permitted to undertake other businesses beyond those mentioned above, except as specifically assigned by the meeting of the Board of Directors from time to time.

**9.2.4 Executives.** As of December 31, 2017, the Company's executives include:

List of Management	Title
1. Mrs. Kanoktip Chanpalangsri**	Chairman of the Executive Board
2. Mr. Pathompol Saosap**	President
3. Mr. Jackrit Pongprasert	Executive Vice President, Operation Engineering Division
4. Mr. Vikul Lohamongkol	Executive Vice President, Technical Engineering Division
5. Mr. Adisorn Srisooksai	Executive Vice President, Finance and Accounting Division
6. Mr. Rattapat Rattanpan	Executive Vice President, Office Supporting Division

Note: \*Executives No. 1-6 are the executives as defined in the Notification of the Office of the Securities and Exchange Commission

#### **Scope of Duties and Authority of the President**

1) Consider the allocation of annual budget to be proposed to the Board of Directors for approval; and also consider and approve any alteration and addition of the annual expenditures when the meeting of the Board of Directors has not been arranged, and further propose such altered or added annual expenditures to the next meeting of the Board of Directors for acknowledgement.

2) Have authority to procure construction materials in the amount not exceeding Baht 10 million per transaction, and to procure goods, device, equipment, tools, etc. in the amount not exceeding Baht 10 million per transaction. The procurement amount beyond the



approval authority must be approved by the meeting of the Executive Board or the Board of Directors.

3) Approve the important investment spending as specified in the annual expenditures as approved or previously approved in principle by the Board of Directors.

4) Approve in principle an investment for business expansion as well as a joint investment with other entrepreneurs, and propose it to the next meeting of the Board of Directors for approval.

5) Approve the appointment of authorized persons for cheque payment or payment documents of the Company as well as other contracts, accounting/financial documents, and general documents.

6) Act as the management consultant in financial policy, marketing, human resource management, and other operations relating to the Company's business operation.

7) Allocate the gratuity or compensation as approved by the Board of Directors to the Company's staffs or employees or any other persons operating the business for the Company.

8) Approve the appointment, rotation, and dismissal of employees.

9) Have a duty of reporting to the Board of Directors and the Executive Board promptly in case of bribery, possible bribery, violation against laws, and other irregular actions, which may materially affect the Company's reputation and financial status.

For the aforesaid authorization, the President must comply with all requirements and regulations as approved by the Board of Directors. The President shall not approve any transactions in which he or any person with possible conflicts of interest or interest or may have the conflicts of interest in other manners with the Company and subsidiaries. The said transactions must be also disclosed to the Board of Directors for consideration.

The President is not permitted to undertake other businesses beyond those mentioned above, except as specifically assigned by the meeting of the Board of Directors from time to time.

#### **9.2.5 Meeting attendance by the Company's directors in committees in 2017**

List of Directors	Title as of February 1, 2017	Meeting Attendance/ Total Meetings (After taking up office)	
		Executive Board	Audit Committee
1. Dr. Thanu Kulachol	Chairman of the Board/ Independent	-	-

List of Directors	Title as of February 1, 2017	Meeting Attendance/ Total Meetings (After taking up office)	
		Executive Board	Audit Committee
	Director		
2. Mrs. Kanoktip Chanpalangsri	Director/ Chairman of Executive Board	23/24	-
3. Mr. Pathompol Saosap***	Director/ President	24/24	-
4. Mr. Jackrit Pongprasert	Director/ Executive Director	24/24	-
5. Mr. Chainarong Chanpalangsri	Director	24/24	-
6. Mr. Cherdsak Wattanavijitkul	Director	-	-
7. Dr. Supong Limtanakool**	Director/ Chairman of the Audit Committee/ Independent Director	-	4/4
8. Mr. Pornthep Sawetwannakul	Director/ Member of the Audit Committee/ Independent Director	-	4/4
9. Dr. Srisuda Chongsithiphol**	Member of the Audit Committee/ Independent Director	-	4/4

### 9.2.6 Term of Directorship

Name of Directors	Year of Appointm ent	Year of Last Election	Type of Directorship	Nominat ion/ Appoint ment of Director s in 2018	Next Appoint ment
1. Dr.Thanu Kulachol	2008	2014	Chairman of the Board Independent Director	No	2017
2. Mr.Chainarong Chanpalangsri	1988	2014	Director	No	2017
3. Mr.Jackrit Pongprasert	2015	2016	Director	No	2019
4. Mrs.Kanoktip Chanpalangsri	2013	2015	Director	Yes	2018
5. Mr. Pathompol Saosap	2013	2015	Director	Yes	2018
6. Mr.Cherdsak Wattanavijitkul	2013	2016	Director	No	2019
7. Dr.Supong Limtanakool	2008	2014	Director Independent Director	No	2017

Name of Directors	Year of Appointment	Year of Last Election	Type of Directorship	Nomination/ Appointment of Directors in 2018	Next Appointment
8. Mr.Pomthep Sawetwannakul	2008	2016	Director Independent Director	No	2019
9. Dr. Srisuda Chongsithiphol	2016	-	Director Independent Director	Yes	2018

### 9.3 Nomination and Appointment of Directors and Committees

#### 9.3.1 The Board of Directors

##### Nomination of the Board of Directors

The Board of Directors prioritizes the nomination and appointment the qualified directors to supervise the Company for the best interest of the Company. Every director shall have the preliminary qualifications as described below.

1) Having qualifications relevant to requirements of all related laws and notifications, notifications of the Capital Market Supervisory Board and the SET Board of Governors, as well as the Company's Articles of Association regarding qualifications of a director of the Company.

2) Having integrity, morality, initiative, excellence, responsibility, fairness, independence and fair treatment to the Company's shareholders, educational background, and working experience beneficial to his or her business supervision.

3) Having been trained for business supervision and advanced policy-setting.

4) Having determination to care for the shareholders' interest equitably.

5) Devoting time and competence to shift the Company's business development.

The Board of Directors shall consider each appropriate person to be appointed the director, either the director who is the shareholders' representative or the independent director based on suitable skills and experience in order to strengthen the Board of Directors, which will be revised from time to time as appropriate.

**Appointment of the Board of Directors.** The election of directors of the Company is subject to the following criteria and procedure:

1) The Board of Directors shall comprise at least five directors of which not less than one half shall have domicile in the Kingdom.



2) One shareholder has votes in a number equal to number of shares he/she holds. One share is regarded as one vote.

3) In case that a shareholder exercises his/her right to elect more than one director, he/she has the right to vote for each director according to the number of votes he/she holds. His/her number of votes is indivisible.

4) Voting to elect a director shall be by a majority of votes of the shareholders present at the meeting and voting. In case of an equality of votes, the chairman of the meeting shall have the casting vote.

5) In every annual ordinary meeting of shareholders, one-thirds of directors shall vacate office. If the number of directors cannot be divided exactly into three parts, directors in a number closest to one-third shall vacate office.

In case of a vacancy of directorship for reason other than expiration of term of office, the Board of Directors shall elect a person possessing appropriate qualifications as the replacement director in the next meeting of the Board of Directors. The replacement director shall hold office only for the remainder of term of office of the respective director he/she replaces.

### **9.3.2 Audit Committee/ Independent Director**

The Board of Directors or the annual general meeting of shareholders of the Company have the power to appoint the Audit Committee/ Independent Directors, which must involve at least 3 members who are selected from the Board of Directors. At least one director elected as the Audit Committee must have knowledge in accounting or finance. The term of the Audit Committee is 3 years. The criteria of selecting the Audit Committee/ Independent Director are as follows:

- 1) Holding shares no more than 0.5% of the total voting shares of the Company.
- 2) Not having a business relationship and a vested interest, whether directly or indirectly, financially or administratively, in the Company or its subsidiaries, its associated companies, or a major shareholder or not being a person with potential conflict of interest, which may deprive his independence, during the period of 2 years before the appointment as the Audit Committee/ Independent Director.
- 3) Not being a close relative to any executive or major shareholder of the Company or its subsidiaries, associated companies or person with potential conflict of interest, and not being appointed as a representative to retain the interest of any director, executive, or major shareholder of the said companies.

4) Being a person with knowledge and experience and being able to perform duties, and share his opinions independently without any influence from any group of persons.

### **9.3.3 Board of Executive Directors**

The Board of Directors has the power to appoint the Board of Executive Directors of the Company, which must comprise at least 3, but not more than 5 persons who are selected from the Company's directors or staffs who engage good knowledge and abilities and must not be the Audit Committee members. The Board of Executive Directors has the duty of managing the Company's business as assigned by the Board of Directors, and it directly reports to the Board of Directors.

### **9.3.4 Top Executive (President)**

To nominate the President, the Board of Executive Directors shall preliminarily consider and seek for a person with full and complete qualifications who must have knowledge, abilities, skills, and experience beneficial to the Company's business operation, good understanding in the Company's business undertaking, and management skills to attain the objectives and goals established by the Board of Directors. This qualified person shall be further proposed to the Board of Directors for consideration and approval.

## **9.4 Supervision for operations of subsidiaries and associated companies**

### **Mechanism of supervision and responsibility for operations in subsidiaries and/or associated companies**

The Company places both direct and indirect supervision mechanisms for its subsidiaries and/or its associated companies, as well as certain measures in monitoring their management so that the benefits in the Company's investments are thoroughly cared, and the operation of such subsidiaries could be controlled and managed like a department of the Company. The supervision mechanisms include:

1) The Company monitors and supervises the management and operating activities of its subsidiaries and/or associated companies to ensure they are in conformity with the Company's policy, all laws relating to business operation, as well as the securities and exchange law, notifications of the Capital Market Supervisory Board, requirements of the Stock Exchange of Thailand, which are not contrary or inconsistent to other laws. The Company also supervises its subsidiaries and/or associated companies to disclose their financial status and operating performance, entering into significant transactions that are deemed the connected transactions,

or an acquisition or disposal of assets by such subsidiaries and/or associated companies or any other important transactions that are not under normal business courses, which must be reported to the Company before entering into such transactions duly and completely within the determined period.

2) The Company appoints its representatives to be directors and executives in its subsidiaries and/or associated companies based on the proportion of shares held in them. In this regard, the Company defines a regulation that the Company's Management shall nominate a person to act the Company's director, executive, or controlling person in its subsidiaries and/or associated companies to the Board of Directors for approval. The said representative must perform duties for the best interest of those subsidiaries and/or associated companies (not to the Company), except his/her performance of duties may be restricted by any other laws or conditions on joint investment with the government sector, or any other cases as stipulated by the securities and exchange law, notifications of the Capital Market Supervisory Board, or regulations of the Stock Exchange of Thailand.

3) In case that a subsidiary of the Company agrees to enter into a connected transaction with a person having relationship with such subsidiary or the transaction relating to an acquisition or disposal of assets in such subsidiary is subject to the criteria as specified in the notifications of the Capital Market Supervisory Board and/or the notifications of the Stock Exchange of Thailand (as the case may be), the Company and its subsidiary must comply with any and all criteria and procedure as specified in those notifications before entering into such connected transaction *mutatis mutandis*. The said subsidiary must comply with the criteria and procedure as specified in those notifications as if the Company entered into such transaction itself.

If such connected transaction needs an approval from the meeting of the Board of Directors and/or the shareholders' meeting of the Company according to the notifications of the Capital Market Supervisory Board and/or the notifications of the Stock Exchange of Thailand, the Company and its subsidiary must take into account the transaction value by comparing it with the Company's consolidated financial statements.

4) In case that the Company's subsidiaries and/or associated companies undertake any acts, which may materially affect the Company's financial status and operating performance or any other interest to be received by the Company as their shareholder; this must be considered and approved by the shareholders' meeting and/or the meeting of the Board of Directors as the Board of Directors deems appropriate. The details of the said act shall be determined by the Board of Directors.

### **9.5 Internal Information Control Policy**

The Company gives importance to the use of internal information to ensure that it is in line with the Principle of Good Corporate Governance as it adheres to the Principles of Corporate Governance, and business integrity. To ensure that the investors in the Company's securities would obtain the reliable information fairly and timely, the Company defines the regulation on supervision for the use of internal information so that it is relevant to the securities law and the Company's business operation is transparent. The policy on this matter has been revised and approved by the Meeting of the Board of Directors, No.1/2018 dated February 26, 2018. The main issues are as follows:

1) The directors, executives, and staffs at all levels of the Company and its subsidiaries must not use their internal information materially affecting the price of the Company's securities that has not yet been disclosed to the public or the Stock of Thailand so that trading of the Company's securities may provoke benefits for themselves or other persons.

2) The Company has the duty of disclosing information about important operations of the Company and subsidiaries to the public timely and thoroughly via media and methods determined by the Stock Exchange of Thailand and based on the Company's information disclosure policy, and via any other media of the Investor Relation Department. Such information disclosure must be also publicized to ensure that the Company's information reaches all groups of investors timely and fairly.

3) The Company imposes that the Board of Directors and Management as well as their spouses and minor children shall provide reports on their holding of the Company's securities to the Securities and Exchange Commission in accordance with Section 59 of the Securities and Exchange Act B.E. 2535 (as amended) ("SEC Act") and the Notification, No. SorJor 12/2009 of the Office of the SEC regarding Preparation and Disclosure of Report on Securities Holding of Directors, Executives and Auditor. The Board of Directors and Management are required to submit a copy of such report to the Company on the same date it is submitted to the Office of the SEC. A summary report on the holding and trading of the Company's securities of the Board of Directors, Management, and auditors must be submitted to the Board of Directors meeting on the quarterly basis for acknowledgement.

4) The directors, executives, or employees of the Company and its subsidiaries who have received the internal information shall not be allowed to disclose it to the third person or unrelated individuals nor shall they sell securities of the Company within 1 month prior to the Company's dissemination of financial position statements to the public.

5) The directors, executives, or employees of the Company and its subsidiaries shall not purchase, sell, transfer, or receive the transfer of securities of the Company by using the internal information of the Company and its subsidiaries, and/or shall not enter into any other juristic act by using their internal information, which may cause damage to the Company, either directly or indirectly. This requirement shall include the spouses and minor children of the directors, executives, and employees of the Company and its subsidiaries. It shall be deemed that any person violating this regulation commit a serious offence.

6) The Company places the stringent regulation on safety of the computer system and information to prevent the disclosure of significant information. The Company establishes certain punishment for any directors, executives or employees who use the Company's internal information wrongfully. The violation of this regulation deems a serious offence and the wrong doer shall receive the disciplinary punishment and other punishment as prescribed by law. In this regard, the Company limits the right of access to the internal information that has not yet been disclosed to the public. The right of access to such information is given to certain related employees, e.g. accounting and financial staff, investor relation staff, etc.

7) The Company's information disclosure must be relevant to various laws and regulations; meanwhile, it must be accurate, complete, timely, and consistent whether or not such information may give the positive or negative effect to the Company, investors, or capital market. The important information not shown publicly shall be fairly disclosed to every investor, but it must be approved by the President or an authorized person, e.g. Public Relation Department, Investor Relation Department, etc. prior to a particular disclosure.

## **9.6 Compensation for the Auditor**

### **1) Audit Fee**

The Company and its subsidiaries paid the audit fee to D I A International Audit Company Limited, the Auditor of the Company and subsidiaries for the fiscal year ended December 31, 2017, in the amount of Baht **3,115,000**.

### **2) Non-audit Fee**

During the previous fiscal year, the Company and its subsidiaries made no payment for any other services to the Company's Auditor or the audit firm where the Auditor has worked for, person or business relating to the Auditor and the audit firm where the Auditor has worked for.

## **9.7 Compliance with the Principle of Good Corporate Governance in other matters**

### **Internal Control System and Internal Audit**

The Company arranges the internal auditors to conduct internal audit activities in order to ensure the Company's financial control and operation are in line with the established guideline efficiently. These internal auditors also inspect any compliance with laws and regulations relating to the Company. The audit report is directly submitted to the Audit Committee and top executives.

## **10. Corporate Social Responsibilities (CSR)**

### **10.1 General Policy**

The Company and its subsidiaries have operated the business under good corporate governance and Code of Conduct along with deep care for the society and environment, and strong attention to all internal and external stakeholders starting from shareholders, employees, clients, communities, and general public, which would finally lead to the sustainable business development.

The Company and its subsidiaries value the environment and surrounding societies so that a happy community can get together with the business operation, that is, every operating step of the Company is to create and share happiness with surrounding communities, and to care for the quality of life and environment. The Company strongly believes that beneficence between employees, clients, and shareholders including society and environment would provoke the sustainable growth under a business operation policy that the Company's service must be provided rapidly, cost-efficiently, and full of quality for clients' highest satisfaction and social and environmental development.

### **10.2 Operation**

The Company and its subsidiaries operate the business by paying great attention to community and social interest. Except determining the precise business operation guideline, the Company and its subsidiaries give great importance to anti-corruption as a good model for the society. Their business operation must be also based on morality, and relevant to the Principle of Good Corporate Governance, which will lead to the sustainable development in the society and environment.

#### **1) Fair business operation**

The Board of Directors of the Company places the policy, which has been implemented consistently, on fair treatment to business partners under integrity, respect to intellectual properties, and compliance with commitment to the Company's stakeholders.

### **Best Practices**

- 1) Arranging for competition between price bidders, and fair and appropriate selection.
- 2) Defining the criteria of business partner assessment and selection.
- 3) Providing an appropriate and international contract form containing various conditions and agreements.
- 4) Providing a system for managing and monitoring the stringent compliance with the contract and other related conditions. In case that any condition cannot be complied with, the Company shall promptly inform the business partner for mutual solution.
- 5) Giving the accurate, adequate, and timely information and advice on the Company's products and services to business partners.
- 6) Delivering the products or services with high quality, relevantly to conditions agreed with business partners, and at fair price.

### **2) Anti-corruption**

The Board of Directors has the policy that the business operation of the Company and its subsidiaries must not involve any bribery. It determines the tangible guideline on this matter by defining responsibilities, best practices, and requirements on proper undertakings, and preventing possible bribery in every business activity performed by the Company and its subsidiaries in order that their business operation risky to bribery is considered and treated carefully and appropriately.

#### **Best Practices**

- 1) Defining the disciplinary and legal punishment when finding any person related to the Company and its subsidiaries commits any corruption.
- 2) Determining the dissemination, educating, and making understanding with all internal and external persons whose performance of duties must relate to the Company and its subsidiaries in ensure that their performance is relevant to the anti-corruption policy.
- 3) Giving fairness and protecting the persons reporting misconduct relating to the Company and its subsidiaries.

### **3) Respect for human rights**

The Board of Directors prioritizes and places this issue as a main business operation policy for its sustainable growth. It recognizes human rights and human dignity in every employee, which is a foundation of quality and worthwhile business operation.

The Company realizes that employees are a main factor for its quality products. Therefore, it always treats all employees fairly, including giving a chance, compensation, promotion, rotation, and potential development along with moral development so that the Company's employees become competent and good for the society; for example, providing the fair employment to employees and giving them the appropriate compensation based on their competence, environmental care, organizing the working system enabling safety in life and properties and good health among employees, encouraging employees to improve their skills and competence thoroughly, and allowing employees to be aware of the Company's information consistently.

The Company always complies with all related laws, rules and regulations stringently, fairly and equitably. Its employees are allowed to share their opinions independently as a way to the sustainable corporate development and management.

#### **4) Fair treatment to labors**

The Board of Directors focuses on fair treatment to all employees, and also respects their individualism and human dignity based on the universal human rights principle and morality principle in order to enhance the social peace and order, and the sustainable corporate growth.

##### **Best Practices**

1) Paying respect to working based on the human rights principle by not discriminating against employment, not forcing persons unwilling to work, not exploiting child labor, paying respect to rights and freedom of employees.

2) Giving the social protection and working condition of employees by formulating fair employment conditions, giving appropriate compensation and welfare that are relevant to applicable laws, and avoiding any unfair treatment possibly affecting the employees' work stability, or threatening or pressing the employees' mind.

3) Protecting the employees' health and work safety; maintaining the work environment; and arranging the work system enabling the employees to have safety in life and properties as well as good health.

#### **5) Community and Social Development**

The Company promotes a happy living with communities and society by focusing on giving educational opportunities to youths and underprivileged people so that they have knowledge, self-reliance, and strength. In respect with the vocational education, the Company



has supported the undergraduate internship program by accepting various university students to do an internship in the Company's construction sites. The Company also focuses on working with various communities, and promoting the activities done by close and remote communities according to the Company's policy, and relevant to the development path of the government sector and community lifestyle in order to enhance the quality of life and sustainable community economy.

## **6) Environmental Care**

The Company emphasizes that its employees at all levels must be involved in caring for the working environment through 5-S Activities and Big Cleaning Day in order to regularly satisfy all clients and project visitors. For the construction process, the Company gives importance on using any resources cost-effectively. The Company places certain measures to control, treat, and inspect the environmental quality in the project and adjacent communities to ensure that its activities would be environmentally friendly and consistently improved.

### **Best Practices**

- 1) Improving and acquiring knowledge to manage and prevent the pollution thoroughly.
- 2) Realizing the exploitation of resources cost-effectively and sustainably.
- 3) Promoting the business operation that could help minimize the global warming.
- 4) Promoting the knowledge transfer between the Company's employees about environment so that they have good understanding and this becomes the corporate culture, which would lead to the sustainable practice.

## **7) Innovations and dissemination of innovations from business operation**

The Board of Directors determines the corporate vision that "The Company is oriented to become a full service organization in the construction industry, continuing to develop and grow to create stability and sustainability", which shall lead to the Company's added-value in the long run. The Company's knowledge would be developed together with new technologies and human resource development. These would provoke conceptual changes and efficient working process under the Company's international standard quality, which can eventually satisfy the clients and enhance the Company's competitive work quality that is also relevant to the market demand and trend of changing technologies.

### **10.3 Social and Environmental Activities**

Apart from normal business operations, the Company has always considered the social interest and environment as well as other stakeholders, business partners, shareholders, and other related parties. Therefore, the Company assigns the Corporate Communications & Corporate Social Responsibility (CC&CSR) to be in charge of arranging various CSR activities for the social interest and environment, either in process or after process, as a type of compensation to the society by the Company's genuine social responsibility.

#### **10.3.1 CSR in Process**

##### **1) Responsibility toward related persons**

The Company cultivates all staffs to recognize both quality and morality as sources of value and merit while its business operation must be lawful, transparent, and fair in accordance with the Principle of Corporate Government and Code of Conduct.

##### **2) Responsibility toward business partners, shareholders, employees, and other related persons**

The Company values all shareholders, business partners, and employees. It aims at boosting the profit by trimming the cost and expenses, making the anti-corruption campaign by promoting smart and honest people, wiping out the deceivers, and promoting morality, and encouraging its employees to solve any problems tangibly.

##### **3) Responsibility toward employees**

3.1) every employee is the most valuable resource of the Company; therefore, each would be developed to be a valuable person. The Company also makes each employee recognize both quality and morality in his/her working; meanwhile, it offers the reasonable compensation, progress, and other welfare.

3.2) paying respect to human rights of every employee; for example, placing the management system for fair compensation; arranging meeting activities between executives and staffs, caring for employees' safety by providing the safety manual (TPOLY-HSE-MAN-01), employees' health insurance, saving project, home opening for health care of employees in every project, mind-guided by Buddhism moral code, etc.

3.3) developing all communication and public relation channels (E-mail, website, intranet, Facebook, YouTube, Line, printing media).

3.4) activities for knowledge and problem sharing by raising His Majesty the King's royal guidance to be shared as the working model in the Company's monthly meeting.



3.5) making an internal public relation called “Pee Tu Word of Mouth” in order to disseminate the Company’s information internally in order to encourage the corporate care.

3.6) Technical and Design Department, Information System Department, and Legal Department disseminate the construction, IT, and legal knowledge in the organization on the monthly basis.

3.7) making energy saving campaigns, e.g. water, electricity, paper, etc.

### **10.3.2 CSR After Process**

The Company recognizes that its business operation is to create and share happiness with neighboring communities in every operating step. The Company cares for the quality of life and environment as it do believe that beneficence with each other will make us enjoy the sustainable growth. Therefore, “Non-stop Doing Good Deeds” project was established to offer the Company’s supports to the society, e.g. School Facilities from Elder to Younger project, One-Baht at Dawn and One-Baht at Dusk for Students’ Lunch project, Love Share to Younger project, Disaster Victim Mitigation project, etc. These projects allow the Company’s employees to take part in supporting the society, and learn how to give before taking. The social projects in respect with education were as follows:

#### **School Facilities from Elder to Younger project**

1. In 2008, construction of a library for Wat Bang Toe Ni School at Pathum Thani.
2. In 2011, construction of a school building, Thai Polycons 1” with 4 classrooms for Ban Mab Lao Cha-on School at Tambon Sak Pong, Amphoe Klaeng, Rayong.
3. In 2012, construction of a school building, Thai Polycons 2” with 4 classrooms for Wat Pak Klong Phra Ajarn School at Tambon Bang Somboon, Amphon Ongkarak, Nakhon Nayok.
4. In 2014, construction of Ban Khiri Lom Borker Police Patrol School (Charoen Chanpalangsri Building), which is a 2-storey school building with 8 classrooms to be offered to H.R.H. Princess Maha Chakri Sirindhorn, located at Moo 8, Tambon Chang Raek, Amphoe Bang Saphan Noi, Prachuap Khiri Khan.
5. In 2017, the library of Wat Bangtoei Nai School, Amphoe Sam Khok, Pathum Thani had renovated to be Hall of Honour for displaying Art, Culture and history of Pathum Thani

**One-Baht at Dawn and One-Baht at Dusk for Students' Lunch project**

This project aims at rooting the Company's employees and schools with potential to help other unprivileged schools. In 2017, this project has been undertaken at Wat Bang Toei Ni School at Pathum Thani, Wat Pak Klong Phra Ajarn School at Nakhon Nayok, Ban Mab Lao Cha-on School at Rayong, Wat Tri Rattanaram School at Bangkok, Wat Pra Tan Dong Rang School at Kanchanaburi, and Nium Klum Community close to the Company's head office.

**Love Share to Younger project**

This project aims at delivering the teaching and learning materials, and sports facilities. It goes together with School Facilities from Elder to Younger project.

**Photo of opening ceremony  
of Hall of Honour of Wat Bangtoei Nai School, Amphoe Sam Khok , Pathum Thani**



**Photo of Border Patrol Police Education Center (Charoen Chanparangsri Building)  
Baan Kirilom, Chang Raek, Amphoe Bang Saphan, Prachuab Khiri Khan**





**Photo of school building of Thai Polycons 2 at Wat Pak Klong Phra Ajarn School at  
Tambon Bang Somboon, Amphon Ongkarak, Nakhon Nayok.**



**Photo of school building of Thai Polycons 1 at Ban Mab Lao Cha-on School at  
Tambon Sak Pong, Amphoe Klaeng, Rayong.**



## **11. Internal Control and Risk Management**

### **11.1 Summary of Opinions of the Board of Directors about the Company's Internal Control System**

The Board of Directors of the Company perpetually places importance on the internal control system to prevent and mitigate potential risks. It, therefore, assigns the Audit Committee, comprising certain independent directors, to review the assessment of the Company's internal control system. The Internal Control Department, which directly reports to the Audit Committee, has the duty of auditing the operating system of every department and project subject to the Company's annual audit plan to ensure that those operations are full of efficiency and proficiency while the Company's resources are employed cost-effectively and usefully. The said internal control system also covers the control of operations, accurate, reliable and timely financial statements, policy implementation, and compliance with any laws and regulations required by the government and related authorities. The efficiency of this internal control system has been regularly reviewed so that the Company's business operation offers the highest interest to its shareholders on the basis of equity and interest of all stakeholders. The Audit Committee also has the duty of considering, selecting, and proposing the appointment of auditors and auditors' fee, and of considering the disclosure of the Company's information that must be accurate and complete in case that a connected transaction or a transaction possibly causing the conflict of interest occurs.

In 2017, the Audit Committee had 4 meetings, and the Audit Committee had another 4 joint meetings with the auditors without the Company's Management, to review the Company's financial statements so that the Audit Committee were able to raise questions about the audit plan and various issues discovered in the auditing activities independently, which were further proposed to every meeting of the Board of Directors attended by the Management so that those doubtful issues are remedied.

Regarding the risk management, the Company focuses on implementing the risk management system to control all risks at an acceptable level. The Company's Management shall consider all risk factors the Company has encountered or may encounter, analyze the potential impact and possibility before determining the preventive measures to control them at an acceptable level and to be relevant to the Company's policy. The risk management system and its efficiency shall be reviewed and assessed annually or at any time it is found that the risk level is changing. The Internal Control Department shall monitor all risks constantly and report them to the Company's Management.

In the Meeting of the Board of Directors, No. 1/2018 dated February 26, 2018, the Board of Directors assessed the adequacy and appropriateness of the Company's internal control system from the assessment report submitted by the Audit Committee based on the adequacy of internal control system assessment form. There are 5 assessment issues, including organization and environment, risk management, operation control by Management, information system and communications, and monitoring system. It was concluded that the Company's internal control system was adequate and appropriate for the business operation. It had no material defects, and could prevent the use of assets of the Company and subsidiaries improperly or without authorization. The Company's financial statements were prepared subject to the generally accepted accounting principles. The disclosure of such financial statements was accurate and reliable. The Company's business operation was absolutely in conformity with law on securities and exchange and other related laws. The Board of Directors, the Audit Committee, and auditors of the Company had a relevant opinion that the Company's operation has been transparent under the Corporate Governance Principles, and proper and efficient internal control system, which were able to prevent the Company's Management or employees to use the assets unlawfully or without authorization.

**11.2 Internal Control Chief.** Mr. Watcharachai Somboonying is the Manager of the Internal Audit Department. The Audit Committee was of opinion that Mr. Watcharachai Somboonying was qualified to act as the Manager of the Internal Audit Department efficiently. The appointment, removal, and transfer the Manager of the Internal Audit Department must be approved by the Audit Committee.



## Report of the Audit Committee

The Audit Committee of Thai Polycons Public Company Limited consists of the independent directors who hold full qualifications and experience in law, accounting, and corporate management. In 2017, the Audit Committee consisted of 3 members; namely, Dr. Supong Limtanakool as Chairman of the Audit Committee, Mr. Pornthep Sawetwannakul and Dr. Srisuda Chongsithiphol as members of the Audit Committee.

The Audit Committee has performed all duties as assigned by the Board of Directors and regulations of Thai Polycons Public Company Limited on Criteria and Best Practices of the Audit Committee, which were also relevant to the requirements of the Stock Exchange of Thailand. The Audit Committee's main policy was to comply with the Principles of Corporate Governance, laws, good internal control system, and other related rules and regulations under international standards so that the Company's management was under fairness and responsibility of the Board of Directors for all shareholders. Then, the Company's operation could assure that the Board of Directors and the Management have conformed to the Company's corporate policy appropriately and completely. The Audit Committee has constantly reviewed the financial statements and internal control system to ensure that it would be suitable and appropriate for various changing circumstances. The Audit Committee has also assessed the Company's risk management, regulated the internal audit and auditing activities of the Company, and performed other duties as assigned by the Board of Directors. The performance of the Audit Committee could be summarized as follows:

- Focus on preventive auditing to enhance the systematic working, and on knowledge creation to make the Company's workers had the good knowledge and understanding so that their working would be proper, under the same standard, in compliance with all related rules and regulations, and fewer defects.
- The Management and employees' performance must comply with all related laws, rules, and regulations.
- Manage the operating risks by focusing on identifying risk factors in operating.

In 2017, the Audit Committee had 4 meetings and each member of the Audit Committee attended all meetings. It has discussed with the Management, internal auditors, and external auditors in related matters, which were summarized below.

**1. Review of financial statements** – The Audit Committee together with the Management and the Internal Audit Department have mutually reviewed the quarterly financial statements

and budget for the year 2017 of the Company, as well as consolidated financial statements, connected transactions, and transactions with conflicts of interest. The auditors were invited to attend every meeting in which the quarterly and yearly financial statements were reviewed. In the said meetings, the Audit Committee enquired the auditors about adequacy and completeness of the financial statements, significant adjustments possibly affecting the financial statements, adequacy and appropriateness of accounting record method and auditing scope, accurate, complete, and adequate disclosure of information, and auditors' independence to ensure that the preparation of those financial statements were in compliance with legal requirements and generally accepted accounting principles, which had to be reliable and timely.

**2. Review of efficiency of the internal control system** – The Audit Committee has reviewed the internal control system with the auditors and the head of the Internal Audit Department in every quarter. The reviewed issues included the Company's operation, utilization of resources, maintenance of assets, prevention or reduction of errors, damages, leakage, wastage or fraud, reliability of financial statements, and compliance with laws, rules and regulations.

**3. Review of Good Corporate Governance** – The Audit Committee has reviewed the Company's operation according to the established working system, which determined that the Company's business operation had to be based on morality while it had to be in conformity with law on securities and exchange, requirements of the Stock Exchange of Thailand as well as other laws relating to the Company's business operation, especially connected transactions and related transactions between companies in the Group to ensure that the Company conformed to normal business conditions reasonably.

**4. Oversight of internal audit** – The Audit Committee has reviewed the internal audit plan and implementations. It has also provided and monitored the correction of significant issues as stated in the auditing report so that the Company would have the good corporate governance and adequate internal control. The Audit Committee had an opinion that the Company's internal audit system and information management were adequate, proper, and efficient.

**5. Appointment of the external auditors for Year 2018** – The Audit Committee has reviewed and approved the appointment of auditors of D I A International Company Limited to be the Company's auditors for Year 2018. This appointment and audit fee were proposed to the Board of Directors for consideration before being further proposed to the 2018 Annual General Meeting of Shareholders for consideration and approval.

Briefly, the Audit Committee has performed its duties and responsibilities as defined in the Charter of the Audit Committee approved by the Board of Directors by using its skills and abilities with prudence and independence for fair interest of all stakeholders. The Audit Committee was of opinion that the financial statements of the Company were accurate, reliable, and relevant to the generally accepted accounting standards. The Company's internal control and internal audit systems were also proper and efficient. The Company's operations were in conformity with the Principles of Good Corporate Governance, laws, requirements, and obligations relating to its business operation.

In 2017, the Audit Committee had 4 meetings with the auditors to independently discuss about the Company's financial statements and the discussion outcome has satisfied both parties.

On behalf of the Audit Committee



Dr. Supong Limtanakool  
Chairman of the Audit Committee

## Internal Control

In the Meeting of the Board of Directors of Thai Polycons Public Company Limited, No. 1/2018 on February 26, 2018 in which all three members of the Audit Committee attended, the Audit Committee assessed the Company's internal control system by enquiring the Management about the following issues:

### **1. Organization and environment**

The Company defined the exact and measurable business operation goals, which were stated in its quality objectives. The Company also determined certain indicators as employees' operating guideline, provided the quality manual as the policy document communicated from the Management to the operating level, and determined the corporate structure enabling the Management to control the operation efficiently and the system proficiency continuously according to those requirements. For example, ISO 9001-2015, which is a quality management system, has been used as a tool of operation and planning. The Company placed the procurement control system so that any financial transactions and general management of the Company were concise and able to prevent corruption. An on-line computer program was installed to link the entire operations to quickly obtain the information in the Company's head office and projects. This was beneficial to make decision on management and to improve work efficiency consistently.

By recognizing the importance of the employees' work achievements, the Company has regularly reviewed the working goals, and analyzed the motives given to the employees reasonably by mainly considering the shareholders' interest. The compensation given had to motivate the employees to work with full capacity and provoke the highest profit to the Company. Besides, for the Company's long-term interest, the Company defined certain written requirements that the Management and employees would not have any conduct possibly causing the conflicts of interest against the Company, and the penalties were imposed as well. The morality in details was defined for the employees. The Company adhered to morality for every business partner, gave the good work care and support, had the punctual payments, and did not exploit any business partner.

### **2. Risk management**

The Company has regularly arranged for the risk assessment meetings to consider all internal and external risk factors, which might materially affect its business operation. The Meeting considered various problems, and analyzed the circumstances that were the risk factors before imposing certain measures to solve and prevent any future risks. The Company

also determined some measures and the department responsible in monitoring the events originating those risks so that such measures could be implemented and such risks could be prevented timely in the future. Every related employee was informed of those measures and he/or had to conform to those risk management measures. All related employees were also trained to be aware of those risk management measures for further implementations.

### **3. Control of the Management's performance**

The Company defined the scope of duties, authority, and budget approval limit for its executives at each level precisely in writing. The duties and responsibility for transaction approval based on each working line were segregated clearly while such transaction approval was examined seriously. The documents attached to accounting records, and information, as well as collection of properties were kept carefully. The departments in charge of overseeing these were separated clearly. If the Company made any transaction with a major shareholder, director, executive, or person related to such persons, the Committee in charge of overseeing such transaction would have the meeting to consider the case carefully in order to prevent the transfer of interest whereas the Company's highest interest was regarded. Such transaction would be also considered like the transaction made with the third person. The Company also defined some measures to examine whether the Company's operation was in compliance with all related laws or not. This aimed at minimizing the business risks, and retaining the Company's reputation and prestige. Every transaction made by the Company would be reported to the Audit Committee for transparency and it would be checked whether it was the Company's normal business or not.

### **4. Information and communication system**

The Company arranged for an adequate and qualified access to the important information so that it could be used by its directors, executives, shareholders, or other related persons for their decision-making. The Company outlined the characteristics of qualified information, which had to contain necessary and adequate contents for decision-making, was accurate and complete, up-to-date, understandable, and well-kept. It was so essential to promote the efficiency of the internal control system. In each board meeting, each director would receive the notice to the meeting and enclosures within the period as required by law. The documents attached to accounting records and other accounting would be kept completely in separate sections. The Company has never been advised by the auditors on this defect. In addition, the Company determined that the Executive Board meetings would be arranged in order to monitor the Executive Board of Directors' management. Such meeting would be arranged in every

month to which all facets of information including management, techniques, finance, accounting, and law would be presented to the executives for consideration.

### **5. Monitoring system**

The Company established its business goals while the Board of Directors consistently reviewed and compared whether or not the Management's performance was relevant to such established goals, and operating procedure specified in ISO 9001-2015. Once the operating outcome was defective or different from the established goals, the Executive Board had power to order for remedies within the reasonable period whereas every related party would have the meeting to inform and monitor its working at all time. The Company also arranged for the regularly inspection of the internal control system; this was under responsibility of the Company's internal auditors who had adequate independence to inspect and ask for any related information from various departments before reporting the inspection results to the Board of Directors or the Audit Committee of the Company. The Company placed the policy that the Management had to report to the Board of Directors immediately once corruption or doubtful fraud, violation against law and/or wrongful conduct occurred, which might negatively affect the Company's reputation and financial status.

After the assessment, the Board of Directors was of opinion that the Company has achieved an adequate and appropriate internal control system in making transactions with its major shareholders, directors, executives, or related persons. The internal control system in 5 areas was appropriate and adequate to prevent the unlawful or unauthorized use of properties by the Company's Management. The Company's internal auditing had independence to monitor and assess the internal control activities. The Company also established a system of collecting important documents so that they might be checked by the directors, auditors, authorized persons as permitted by law in the appropriate time.

## 12. Connected Transactions

### 12.1 Summary of connected transactions between the Company, subsidiaries, and related companies or persons with potential conflicts of interest in 2017 and 2016

Name/ Nature of Business	Relationship	Transaction Features	Transaction Type	Year 2017	Year 2016	Rationale and Necessity
1. Thai Polycons and Laem Thong Phatthalung Joint Venture/ Construction Business	Subsidiary	<ul style="list-style-type: none"> <li>- TPOLY leased out the machinery for business operation.</li> <li>- TPOLY granted to the Joint Venture a short-term loan with interest of 7% per annum.</li> <li>- Interest income</li> <li>- Accrued interest</li> </ul>	Trade account receivable Rental income  Short-term loan <ul style="list-style-type: none"> <li>- Opening balance</li> <li>- Increasing during the period</li> <li>- Decreasing during the period</li> <li>- Ending year balance</li> <li>- Interest income</li> <li>- Accrued interest</li> </ul>	    38.74 1.82 (0.00) <u>40.56</u>  3.51 8.61	2.45 -   30.99 7.75 (0.00) <u>38.74</u>  1.79 5.10	<ul style="list-style-type: none"> <li>- Lease of machinery on the market price to the Joint Venture to avoid spending much money in the investment.</li> <li>- To boost the liquidity of the Joint Venture.</li> <li>- Calculated by a short-term loan with interest of 7% per annum. TPOLY has already set aside the allowance for bad debts for the entire amount of loan and interest. TPOLY has ceased the recognition of interest income in Quarter 3/2016 since Laem Thong Joint Venture has not yet tendered any additional bid for construction works.</li> </ul>

Name/ Nature of Business	Relationship	Transaction Features	Transaction Type	Year 2017	Year 2016	Rationale and Necessity
2. Thai Polycons P.S.M. Joint Venture/ Construction Business	Jointly controlled entity	- TPOLY granted a short-term loan with interest of 7% per annum to the Joint Venture.  - Interest income - Accrued interest	Short-term loan - Opening balance - Increasing during the period - Decreasing during the period - Ending year balance  - Interest income - Accrued interest	1.12 0.08 (0.03) <u>1.17</u>  0.10 0.10	1.12 0.00 (0.00) <u>1.12</u>  0.05 0.08	- Since a project of the Joint Venture has not yet received the advance payment for its operation; the Joint Venture borrowed a loan from TPOLY for its working capital.  - Calculated by a short-term loan with interest of 7% per annum. TPOLY has already set aside the allowance for bad debts for the entire amount of loan and interest. TPOLY has ceased the recognition of interest income in Quarter 3/2016 since Thai Polycons PSM Joint Venture has not yet tendered any additional bid for construction works.
3. TPOLYHRC Joint Venture/ Construction Business	Jointly controlled entity	- TPOLY granted a short-term loan with interest of 7% per annum to the Joint Venture.	Short-term loan - Opening balance - Increasing during the period - Decreasing during the period - Ending year balance	- - - -	- - - -	- To enable the Joint Venture to have the working capital during the initial stage of its business operation in 2015.  - Calculated by a short-term loan with interest of 7% per annum. - TPOLY closed the Joint Venture in Quarter 2/2016 due to no tendering of bids.
4. TPCI Joint	Subsidiary	- TPOLY sold	Income from sales	-	-	- In 2014, the Joint Venture purchased the





Name/ Nature of Business	Relationship	Transaction Features	Transaction Type	Year 2017	Year 2016	Rationale and Necessity
Venture/ Construction Business		construction materials to the Joint Venture for business operation.				deformed bars steel for its construction through Thai Polycons Plc. subject to the price agreed with the supplier.
		- TPOLY sold materials/ equipment, leased out the machinery to be used in business operation.	Rental income Trade account receivable	- 31.37	0.002 31.37	- Lease of machinery on the market price so that the Joint Venture needed not to spend much money for investment.
		- TPOLY assigned its staff to control the construction works.	- Other receivables	0.04	0.003	- To reduce and control the construction cost, the staff of TPOLY were sent to control the work.
		- TPOLY granted a short-term loan with interest of 7% per annum to the Joint Venture.	Short-term loan - Opening balance - Increasing during the period - Decreasing during the period - Ending year balance	 35.36 30.90 (34.09) <u>32.17</u>	 144.95 64.12 (173.71) <u>35.36</u>	- To make the Joint Venture have the working capital.
			- Interest income	2.62	2.67	- Calculated by a short-term loan with interest

Name/ Nature of Business	Relationship	Transaction Features	Transaction Type	Year 2017	Year 2016	Rationale and Necessity
		- Interest income - Accrued interest	- Accrued interest	0.05	-	of 7% per annum
5. Thung Sung Green Co., Ltd./ Energy Business	Subsidiary	- TPOLY leased out the properties.  - TPOLY has been engaged for the power plant construction.	Rental income Other receivable  Advance payment for construction cost Construction revenues Administration revenues Retention receivable	0.02 - - 19.65 - 31.3	0.12 0.02 6.84 256.32 - 61.30	- TPOLY leased out the vehicles to facilitate the operation.  - Subject to the power plant construction contract
6. Mahachai Green Power Co., Ltd./ Energy Business	Jointly controlled entity	- TPOLY has been engaged for power plant construction.	Revenues from construction Trade receivable Advances Other payables Retention receivable	- - - - -	3.74 - - - -	- Subject to the power plant construction contract
7. Maewong Energy Co., Ltd./ Energy Business	Subsidiary	- TPOLY has been engaged for power plant construction.	Revenues from construction Advances Other payables Retention receivable	- - - -	- - - -	- Subject to the power plant construction contract
8. Satun Green Power Co., Ltd./	Subsidiary	- TPOLY has been engaged to proceed	Administration revenue	-	-	- Subject to the operation contract

Name/ Nature of Business	Relationship	Transaction Features	Transaction Type	Year 2017	Year 2016	Rationale and Necessity
Energy Business		with the application for license. - TPOLY has been engaged for power plant construction.	Revenues from construction Advances Retention receivable  Revenue from control of landfill work	400.56 15.71 58.51  -	207.98 111.95 21.06  0.02	- Subject to the power plant construction contract   - To make the work complete on schedule, TPOLY has been engaged to control the landfill work.
9. Patthalung Green Power Co., Ltd./ Energy Business	Subsidiary	- TPOLY has been engaged to proceed with the application for license. - TPOLY has been engaged for power plant construction.	Administration revenue  Revenues from construction Advances Retention receivable  Revenue from control of landfill work Other receivables	-  150.56 3.45 63.42  0.50 0.02	-  487.69 47.93 45.63  - -	- Subject to the operation contract  - Subject to the power plant construction contract  - To make the work complete on schedule, TPOLY has been engaged to control the landfill work.
10. Pattani Green Co., Ltd./ Energy	Subsidiary	- TPOLY controlled the landfill work.	Administration revenue	0.28	0.21	- To make the work complete on schedule, TPOLY has been engaged to control the landfill

Name/ Nature of Business	Relationship	Transaction Features	Transaction Type	Year 2017	Year 2016	Rationale and Necessity
Business			Revenues from construction	3.77	-	work. - Subject to the power plant construction
11. TPC Power Holding Public Company Limited	Subsidiary	- TPOLY leased out the office space.  - TPOLY granted a short-term loan.	Rental income Short-term loan  Interest expense Accrued interest  Other receivables Other income Dividend income	0.30 50.00  1.36 -  0.08 0.48 5.00	0.24 40.00  2.25 -  0.08 - -	- From lease of office space - To boost the liquidity  - Calculated from a short-term loan with interest of 5% per annum  - Accrued rent - Vehicle
12. TPCH Asset Co., Ltd./ Real Estate	Subsidiary	- TPOLY granted a short-term loan.    - Interest income  - Accrued interest	Short-term loan - Opening balance - Increasing during the period - Decreasing during the period - Ending year balance  Interest income  Accrued interest	222.55 4 (68.20) <u>158.35</u>  10.48  0.01	192.90 64.33 (34.68) <u>222.55</u>  10.80  6.70	- To help the Joint Venture have the working capital during the initial stage of its operation.    - Calculated from a short-term loan with interest of 7% per annum in 2015. - Calculated from a short-term loan with interest of 5% per annum in 2016. - TPOLY leased out the computer sets.

Name/ Nature of Business	Relationship	Transaction Features	Transaction Type	Year 2017	Year 2016	Rationale and Necessity
		- TPOLY leased out some properties.	Rental income Other receivables Other income	0.002 0.07 0.004	0.006 0.02 -	
13. TPC Bangkok Supply Co., Ltd./ Trading Business	Subsidiary	- TPOLY granted a short-term loan.      - Interest income - Accrued interest   - TPOLY purchased some goods.	Short-term loan - Opening balance - Increasing during the period - Decreasing during the period - Ending year balance  Interest income Accrued interest  Cost of construction materials Trade receivables Other receivables	18.50 8.10 (23.60) <u>3.00</u>  0.66 0.008  20.02 5.67 0.07	0.00 18.50 (0.00) <u>18.50</u>  0.44 0.44  2.30 1.69 -	- To help the Joint Venture have the working capital during the initial stage of its operation.      - Calculated from a short-term loan with interest of 5% per annum.
14. Sunray Power & Engineering Co., Ltd./ joint director with Green Power Plant Co., Ltd./		- TPOLY engaged Sunray Power Co., Ltd. to construct the power plant.	Advance payment for lump-sum construction fee Trade receivables Retention payable Payroll	1.92 15.95 9.25 66.75	12.20 15.83 5.47 101.74	- Subject to the power plant construction contract

Name/ Nature of Business	Relationship	Transaction Features	Transaction Type	Year 2017	Year 2016	Rationale and Necessity
shareholder of Pattani Green Co., Ltd.						
15. Suntech Engineering & Energy Co., Ltd./ shareholder of Maewong Energy Co., Ltd. and Pattani Green Co., Ltd.		- TPOLY engaged Suntech Power Co., Ltd. to construct the power plant.	Advance payment for lump-sum construction fee Trade receivables Retention payable Payroll	1.43 10.65 14.37 156.74	40.62 60.20 3.48 166.54	- Subject to the power plant construction contract
16. Green Power Plant Co., Ltd./ shareholder of Pattani Green Co., Ltd.		- TPOLY engaged Green Power Plant Co., Ltd. to construct the power plant.	Advance payment for lump-sum construction fee Trade receivables Retention payable Payroll	- 2.17 - 2.71	0.70 - - 76.28	- Subject to the power plant construction contract
17. TPCH Power 6 Co., Ltd./ Energy Business		- TPOLY engaged TPCH Power 6 Co., Ltd. to construct the power plant.	Advance payment for lump-sum construction fee Trade receivables Retention payable	- - -	- - -	- Subject to the power plant construction contract



Name/ Nature of Business	Relationship	Transaction Features	Transaction Type	Year 2017	Year 2016	Rationale and Necessity
			Other receivables	0.03	-	- Operation fee (LG)

## **12.2 Measures or approval procedure on connected transactions**

The previous connected transactions included the sales and purchase of construction materials, lease of machinery, provision of administration service, lease of office space, and loans between companies. These transactions have been inspected by the Audit Committee that had opinion that the said transactions were under normal business courses, which were beneficial to the business operation, and were reasonable whereas the prices were fixed fairly without transfer of interest with each other.

For future connected transactions in the normal course of business operations such as purchase or sale of goods or service provision, the Company has the policy that they must be considered by the Audit Committee that will give opinion about such transactions in every quarter if they are the same prices or service rates to those agreed between the Company and the third party, and they must be close to the market prices. The Company's directors with interest in such transactions are not permitted to vote for any connected transactions that are not the normal course of business operations, e.g. purchase or sale of land. The Company has the policy that the Audit Committee must consider and give opinion toward such transaction before the Company enters into it. A director with interest in such transaction is ineligible to vote for it. However, entering into such transaction in the future also depends on the Company's rationale and necessity. The compensation to be received and paid must be under a normal price agreed with the third parties. The Audit Committee of the Company shall give opinion about it; meanwhile, the Accounting Department shall compare between the market price and the price of that connected transaction before further proposing the compared prices to the Audit Committee for consideration.

## **10.3 Policy or tendency of connected transactions**

In the future, if the Company must enter into a connected transaction with a person with conflicts of interest against the Company, the Company has the policy of defining conditions in accordance with the normal course of business operations, and under market prices, which may be compared with the prices incurred with the third parties. The Company also prescribes that the Audit Committee or auditors of the Company or independent experts must consider and give opinion about the price appropriateness and transaction reasonability.

For future connected transactions, every director of the Company must comply with all related regulations, and he or she shall not approve any transaction in which he/she or a person may have conflicts of interest with the Company in any manner. Such transaction must be disclosed to the Board of Directors for consideration. The Company must comply with law



on securities and exchange, as well as regulations, notifications, orders, or requirements of the Stock Exchange of Thailand, especially the requirement on Disclosure of Connected Transactions and Acquisition or Disposal of Assets of the Company and Subsidiaries, and comply with the regulations, notifications, orders, or requirements of the Securities and Exchange Commission and Capital Market Supervisory Board.

In case of a connected transaction between Thai Polycons Public Company Limited and a person with conflicts of interest or interest or conflicts of interest that are not the normal course of business operations, the Company shall request the Audit Committee to give opinion about price, compensation, necessity, and appropriateness of such transaction. If the Audit Committee has never had any expertise in considering the said connected transaction, the Company shall ask for opinions from an independent appraisal or expert to be used in making decision by the Audit Committee, the Board of Directors, or shareholders as the case may be. The Company's connected transactions are generally disclosed in Notes to the Financial Statements, the Company's Annual Registration Statement (Form 56-1), and the Company's Annual Report (Form 56-2).

## **PART III**

# **FINANCIAL STATUS AND OPERATING PERFORMANCE**

### **13. Financial Overview**

#### **a) Auditor and auditing reports**

For the financial statements for the period ended December 31, 2008, December 31, 2009, December 31, 2010, and December 31, 2011, the Company's Auditor was Mr. Pradit Rodroythook, Certified Public Accountant No. 218 of AST Master Company Limited, which was the auditor approved by the Office of the Securities and Exchange Commission.

In 2008, the Auditor expressed an unqualified opinion that the Company's financial statements, in all material respect, results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

In 2009, the Auditor expressed an unqualified opinion that the Company's financial statements, in all material respect, results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

In 2010, the Auditor expressed an unqualified opinion that the Company's financial statements, in all material respect, results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

In 2011, the Auditor expressed an unqualified opinion that the Company's financial statements, in all material respect, results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

For the financial statements for the period ended December 31, 2012, and December 31, 2015, the Company's Auditor was Mrs. Suvimol Krittayakiern, Certified Public Accountant No. 2982 of D I A International Audit Company Limited, which was the auditor approved by the Office of the Securities and Exchange Commission.

In 2012, the Auditor expressed an unqualified opinion that the Company's financial statements, in all material respect, results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

In 2013, the Auditor expressed an unqualified opinion that the Company's financial statements, in all material respect, results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

In 2014, the Auditor expressed an unqualified opinion that the Company's financial statements, in all material respect, results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

In 2015, the Auditor expressed an unqualified opinion that the Company's financial statements, in all material respect, results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

In 2016, the Auditor expressed an unqualified opinion that the Company's financial statements, in all material respect, results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

In 2017, the Auditor expressed an unqualified opinion that the Company's financial statements, in all material respect, results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

## b) Summary of financial statements

### Thai Polycons Public Company Limited, Subsidiaries and Joint Ventures

As of 31 December 2015 - 2017

Unit: Million Baht

Statement of Financial Position	Consolidated Financial Statements					
	31 Dec 2017	%	31 Dec 2016	%	31 Dec 2015	%
<b>Current Assets</b>						
Cash and cash equivalents	194,198.59	2.88	273,162.98	4.33	84,432.10	1.61
Current investments	184,891.63	2.75	391,649.05	6.21	701,460.40	13.41
Trade accounts receivable and other receivables						
Related parties						
Other companies	433,650.27	6.44	445,875.51	7.06	528,410.72	10.10
Other current receivables	180,142.89	2.68	161,988.77	2.57	146,245.46	2.80
Unbilled completion works	347,115.56	5.16	380,183.56	6.02	271,238.45	5.19
Retention receivable	762.59	0.01	68,949.86	1.09	192,401.30	3.68
Advance payment for purchase material and construction	178,277.17	2.65	209,963.80	3.33	274,336.22	5.25
Short-term loans to related parties	50,000.00	0.74	50,000.00	0.79	1,217.52	0.02
Supplies	62,471.98	0.93	44,424.15	0.70	42,638.40	0.82
Real estate projects under development	94,777.96	1.41	466,230.05	7.39	400,918.14	7.67
Advance payments for land	-	-	-	0.00	49,940.00	0.96
<b>Total current assets</b>	<b>1,726,288.63</b>	<b>25.64</b>	<b>2,492,427.75</b>	<b>39.49</b>	<b>2,693,238.70</b>	<b>51.50</b>
<b>Non-current assets</b>						
Restricted bank deposit	150,190.60	2.23	265,166.50	4.20	272,497.81	5.21
Investments in subsidiaries	-	-	-	-	-	-
Investments in joint venture	496,174.65	7.37	346,529.52	5.49	106,801.45	2.04
Investment properties - land	270,222.13	4.01	663.00	0.01	663.00	0.01
Property, plant and equipment	3,622,086.96	53.80	2,811,184.51	44.54	1,889,499.40	36.13
Other intangible assets	12,576.18	0.19	10,560.22	0.17	11,316.75	0.22
Deferred tax assets	68,720.76	1.02	74,002.27	1.17	37,796.81	0.72
Income tax deducted at source	81,760.52	1.21	90,813.54	1.44	176,461.71	3.37
Retention receivable	109,659.94	1.63	73,010.94	1.16	-	-
Money secured at Legal Execution Department	69,040.01	1.03	0.00	0.00	-	-
Advance payments to contractor	50,576.17	0.75	76,134.34	1.21	-	-
Advance payment for management fees	68,558.41	1.02	45,500.00	0.72	37,000.00	0.71
Other non-current assets	6,925.26	0.10	25,531.64	0.40	4,039.44	0.08
<b>Total non-current assets</b>	<b>5,006,491.59</b>	<b>74.36</b>	<b>3,819,096.49</b>	<b>60.51</b>	<b>2,536,076.38</b>	<b>48.50</b>
<b>Total assets</b>	<b>6,732,780.22</b>	<b>100.00</b>	<b>6,311,524.23</b>	<b>100.00</b>	<b>5,229,315.08</b>	<b>100.00</b>

Statement of Financial Position	Consolidated Financial Statements					
	31 Dec 2017	%	31 Dec 2016	%	31 Dec 2015	%
<b>Liabilities and Shareholders' Equity</b>						
<b>Current Liabilities</b>						
Overdraft and short-term loans						
From financial institutions	285,899.43	4.25	279,421.33	4.43	320,653.18	6.13
Trade payables and other payables	722,608.39	10.73	879,440.10	13.93	800,880.76	15.32
Current portion of long-term loans	277,351.00	4.12	136,680.00	2.17	194,089.00	3.71
Current portion of liabilities under finance						
lease contract	7,226.56	0.11	5,821.05	0.09	7,121.99	0.14
Short-term loans from related parties						
Provisions	1,405.43	0.02	1,205.36	0.02	1,356.53	0.03
Accrued corporate income tax	17.21	0.00	179.46	0.00	22.96	0.00
Retention payable	207,455.01	3.08	133,076.00	2.11	140,458.80	2.69
Advances received under construction contracts	247,297.11	3.67	344,588.24	5.46	333,218.95	6.37
Unearned revenues under contract to buy and to sell	2,315.00	0.03	1,755.00	0.03	1,361.00	0.03
<b>Total current liabilities</b>	<b>1,751,575.13</b>	<b>26.02</b>	<b>1,782,166.54</b>	<b>28.24</b>	<b>1,799,163.16</b>	<b>34.41</b>
<b>Non-current liabilities</b>						
Long-term loans	1,686,710.00	25.05	1,595,185.44	25.27	858,840.00	16.42
Liabilities under financial lease contract	11,268.82	0.17	6,998.39	0.11	4,337.15	0.08
Non-current provisions for employee benefit	20,269.81	0.30	21,791.10	0.35	22,216.52	0.42
Retention payable	1,233.95	0.02	51,703.16	0.82	30,284.10	0.58
Long-term provisions	-	-	-	-	-	-
<b>Total non-current liabilities</b>	<b>1,719,482.58</b>	<b>25.54</b>	<b>1,675,678.09</b>	<b>26.55</b>	<b>915,677.77</b>	<b>17.51</b>
<b>Total liabilities</b>	<b>3,471,057.71</b>	<b>51.55</b>	<b>3,457,844.63</b>	<b>54.79</b>	<b>2,714,840.93</b>	<b>51.92</b>
<b>Liabilities and Shareholders' Equity (cont.)</b>						
<b>Shareholders' Equity</b>						
Share capital - at par value of Baht 1 per share						
Authorized share capital - ordinary share (share)	692,868.49	10.29	692,868.49	10.98	692,868.49	13.25
Issued and paid-up share capital (share)	566,998.11	8.42	566,892.95	8.98	566,892.50	10.84
Premium on share capital	217,779.08	3.23	217,568.76	3.45	381,567.86	7.30
Reserve for share-based payments						
Difference on changes of investment portion						
In subsidiaries						
Unrealized gain (loss) - securities available for sale						
Retained earnings (loss)						
Appropriated for legal reserve	45,948.91	0.68	18,562.77	0.29	25,831.76	0.49
Unappropriated	-620,036.29	-9.21	-764,240.39	-12.11	-1,057,843.79	-20.23
Other components of the shareholders' equity	1,193,854.42	17.73	1,193,854.42	18.92	1,192,616.51	22.81
<b>Total equity attributable to the parent</b>	<b>1,404,544.23</b>	<b>20.86</b>	<b>1,232,638.51</b>	<b>19.53</b>	<b>1,109,064.84</b>	<b>21.21</b>
Non-controlling interests	1,857,178.28	27.58	1,621,041.10	25.68	1,405,409.31	26.88
<b>Total shareholders' equity</b>	<b>3,261,722.51</b>	<b>48.45</b>	<b>2,853,679.60</b>	<b>45.21</b>	<b>2,514,474.15</b>	<b>48.08</b>
<b>Total liabilities and shareholders' equity</b>	<b>6,732,780.22</b>	<b>100.00</b>	<b>6,311,524.23</b>	<b>100.00</b>	<b>5,229,315.08</b>	<b>100.00</b>

# Thai Polycons Public Company Limited, Subsidiaries and Joint Ventures

As of 31 December 2015 – 2017

Unit: Million Baht

Statement of Income	Consolidated Financial Statements					
	31 Dec 2017	%	31 Dec 2016	%	31 Dec 2015	%
<b>Revenues</b>						
Revenues from construction services	2,063,653.19	60.13	1,922,278.87	70.97	2,245,241.75	84.60
Revenues from sales of electric and subsidies	1,092,675.13	31.84	672,397.34	24.83	304,895.84	11.49
Revenues from sales of real estate	258,180.00	7.52	113,800.00	4.20	103,790.00	3.91
Revenues from sales and services	17,493.57	0.51				
<b>Total revenues</b>	<b>3,432,001.89</b>	<b>100.00</b>	<b>2,708,476.21</b>	<b>100.00</b>	<b>2,653,927.59</b>	<b>100.00</b>
<b>Costs</b>						
Cost of construction services	-1,822,641.39	53.11	-1,768,540.07	65.30	-2,194,259.55	82.68
Cost of sales of electric	-580,698.45	16.92	-343,050.44	12.67	-180,545.20	6.80
Cost of sales of real estate	-190,780.67	5.56	-86,288.28	3.19	-81,118.82	3.06
Cost of sales and services	-14,875.34	0.43				
<b>Total cost</b>	<b>-2,608,995.85</b>	<b>76.02</b>	<b>-2,197,878.79</b>	<b>81.15</b>	<b>-2,455,923.57</b>	<b>92.54</b>
<b>Gross profit (loss)</b>	<b>823,006.04</b>	<b>23.98</b>	<b>510,597.42</b>	<b>18.85</b>	<b>198,004.02</b>	<b>7.46</b>
Other income	27,998.05	0.82	55,798.92	2.06	36,083.98	1.36
<b>Expenses</b>						
Sales expenses	-18,796.09	0.55	-6,800.72	0.25	-5,873.29	0.22
Administrative expenses	-291,075.28	8.48	-252,324.80	9.32	-249,480.72	9.40
<b>Total sales and administrative expenses</b>	<b>-309,871.37</b>	<b>9.03</b>	<b>-259,125.52</b>	<b>9.57</b>	<b>-255,354.01</b>	<b>9.62</b>
(Doubtful debts) (reversal of doubtful debts)	16,490.75	0.48	7,079.16	0.26	-45,198.85	1.70
Gains on changes in investments	-49,770.25	1.45	-	-	-	-
Other expenses	-245.08	0.01	-	-	-	-
Finance cost	-79,863.00	2.33	-62,876.04	2.32	-87,577.45	3.30
Share of profit from investments in joint venture	6,269.05	0.18	29,834.98	1.10	-2,387.62	0.09
<b>Gain (Loss) before income tax expense</b>	<b>434,014.18</b>	<b>12.65</b>	<b>281,308.92</b>	<b>10.39</b>	<b>-156,429.93</b>	<b>5.89</b>
Tax income (expense)	-18,590.34	0.54	16,402.66	0.61	-73,534.09	2.77
Other comprehensive profit (loss)	2,740.88	0.08	1,271.52	0.04	-7,145.88	0.27
<b>Comprehensive profit (loss)</b>	<b>418,164.72</b>	<b>12.18</b>	<b>298,929.11</b>	<b>11.04</b>	<b>-237,109.90</b>	<b>8.93</b>

# Thai Polycons Public Company Limited, Subsidiaries and Joint Ventures

As of 31 December 2015 – 2017

Statement of Cash Flows	31 Dec 2017	31 Dec 2016	31 Dec 2015
<b>Cash flows from operating activities</b>			
Profit (Loss) before income tax	434,014.18	281,308.92	-156,429.93
<b>Adjustments of profit to cash receipt (disbursement) from operating activities</b>			
Depreciation and amortization	109,269.51	78,460.59	60,864.00
Doubtful accounts/(Reversal of allowance for doubtful accounts)	-16,490.75	-7,079.16	45,198.85
Loss on devaluation in investments	49,770.25	-	5,522.84
(Gains) Losses on exchange in investments	-529.48	-844.31	-1,459.06
(Gains) Losses on exchange rate	-	2,741.27	379.68
Gain (Loss) on disposal of trading securities	-	-	-5,227.12
Gain (Loss) on disposal of sale securities	-	-	-177.29
Gain (Loss) on disposal of investments in subsidiaries	-	-	-
Loss on dissolution of subsidiary	245.08	-	-
(Profit) Loss sharing from investment in joint ventures	-6,269.05	-29,834.98	2,387.61
(Gain) Losses on disposal of equipment	-473.73	-539.69	-12.59
(reversal) provisions from delayed work penalties	0.00	-24,239.61	-
Bad debt	464.34	45.22	-
Write off assets	160.25	1,051.42	4,801.97
Estimated expected losses to be occurs	-	-2,620.85	-2,791.16
Estimated contingent loss	5,186.95	5,193.45	3,406.64
Provision for loss on delayed work penalties	-	-	30,028.96
Reserve for share-based payments	-	-	2,967.84
Allowance for impairment	10,789.75	375.22	-2,236.16
Write off withholding tax	3,327.20	1,206.38	827.92
Employee benefit expenses	3,022.03	3,844.83	1,415.91
Dividend income	-	-	-
Interest expenses	79,863.00	62,876.04	87,577.45
<b>Profit (Loss) from operation before changes in</b>			
<b>operating assets and liabilities</b>	<b>672,349.53</b>	<b>371,944.73</b>	<b>77,046.34</b>
<b>Decrease (Increase) in operating assets</b>			-
Trading investments - debt securities	157,516.65	309,991.58	-
Trade accounts receivable - related parties	-	-	4,143.38
Trade accounts receivable - other companies	-16,054.31	82,776.89	-265,460.04
Other receivables	-18,347.32	-17,849.55	-33,278.74
Unbilled completed works	42,885.10	-90,836.26	187,044.01
Retention receivable	37,893.22	58,396.07	-29,217.88
Advance payment for purchase material and construction	31,610.99	-21,694.48	-
Supplies	-17,259.39	-2,250.23	12,419.96
Properties held for development	102,877.95	-12,523.84	43,340.44
Advance payments to contractor	25,548.17	-6,021.89	-205,887.10
Advance payment for management fees	-23,058.41	-8,500.00	-18,500.00
Other non-current assets	-2,033.62	-805.21	-717.15



Statement of Cash Flows	31 Dec 2017	31 Dec 2016	31 Dec 2015
<b>Increase (Decrease) in operating liabilities</b>			
Trade accounts payable	-161,956.14	23,680.62	-7,201.44
Other payables	8,001.42	6,516.21	22,815.06
Retention payable	23,909.81	14,036.26	62,032.06
Advances received under construction contracts	-97,291.12	11,369.29	-69,189.71
Advance received under contract to buy and to sell	560.00	394.00	636.00
Employee benefit obligation paid	-1,433.38	-3,114.96	-154.76
Provisions for long-term liabilities	-	-	-2,137.50
<b>Cash generated (paid) from operation</b>	<b>765,719.15</b>	<b>715,509.24</b>	<b>-222,267.07</b>
Interest paid	-79,320.38	-83,255.49	-110,174.21
Cash received from income tax	36,536.23	127,942.31	-
Income tax paid	-55,930.01	-63,826.98	-64,285.55
<b>Net cash provided by (used in) operating activities</b>	<b>667,004.99</b>	<b>696,369.08</b>	<b>-396,726.84</b>
<b>Cash flows from investing activities</b>			
Cash received (paid) restricted bank deposits	45,935.89	7,331.31	-149,747.78
Cash payment for investments trading securities - Debt instrument	-	-	-2,741,941.01
Cash receipt from investments in trading securities - Debt instrument	-	-	2,167,493.65
Cash received from current investments	-	1,070.53	-
Cash paid from current investments	-	-406.46	-
Cash receipt from available-for-sale investments - Debt instrument	-	-	20,177.29
Cash received from repayment from short-term loans to related parties	-	-	470.39
Cash paid for short-term loans to related parties	-45.92	-50,030.00	-966.11
Cash received from dividend of subsidiaries	-	-	-
Cash paid for investments in subsidiary companies	-	-	-
Cash receipt from disposal of investments in subsidiaries	-	-	-
Cash paid for investment - joint venture	-208,126.00	-145,000.00	-50,830.00
Cash received from sales of property, plant and equipment	473.74	1,362.44	110.03
Cash paid for purchasing property, plant and equipment	-801,163.91	-973,741.04	-493,424.28
Cash paid for advance payment for land	-	-20,640.00	-49,940.00
Cash paid for purchasing computer software	-2,877.53	-	-740.50
<b>Net cash provided by (used in) investing activities</b>	<b>-965,803.73</b>	<b>-1,180,053.21</b>	<b>-1,299,338.32</b>
<b>Cash flows from financing activities</b>			
Cash received from (Repayments for) bank overdrafts and short-term loans from financial institution	5,998.46	-38,045.13	-690,736.54
Cash received short-term loans from related parties	-	-	-
Cash paid short-term loans from related parties	-	-	-
Cash received from long-term loans	511,112.88	897,880.44	295,895.00
Cash paid for repayment for long-term loans	-278,917.32	-218,944.00	-169,458.00
Cash paid for financial lease liabilities	-8,020.40	-8,752.65	-7,102.93
Cash received from share subscription of common share and premium on shares	315.48	1.36	251,952.46
Cash paid for dissolution of subsidiary company - non controlling interests	-3,527.08	-	128,060.00
Cash received from share subscription of subsidiary companies - non controlling interests	62,387.67	69,275.07	708,500.00
Dividend paid	-69,515.33	-29,000.08	-8,331.28
<b>Net cash provided by (used in) financing activities</b>	<b>219,834.35</b>	<b>672,415.01</b>	<b>508,778.70</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>-78,964.39</b>	<b>188,730.88</b>	<b>-1,187,286.46</b>
<b>Cash and cash equivalents, as at the beginning of period</b>	<b>273,162.98</b>	<b>84,432.10</b>	<b>1,271,718.56</b>
<b>Cash and cash equivalents, as at the end of period</b>	<b>194,198.59</b>	<b>273,162.98</b>	<b>84,432.10</b>

### c) Table of Financial Ratios

#### Financial ratios for Year 2015 – 2017 (consolidated financial statements)

Ratios	Units	2017	2016	2015
<b>Liquidity Ratio</b>				
Liquidity ratio	(times)	0.99	1.40	1.50
Quick ratio	(times)	0.57	0.71	0.81
Cash from operation ratio	(times)	0.38	0.21	-0.19
Receivable turnover ratio	(times)	7.04	5.07	5.99
Collection days	(day)	51.81	72.05	60.97
Inventory turnover	(times)	4.05	2.89	3.09
Average number of days sales	(day)	90.12	126.09	118.22
Account payable turnover	(times)	5.24	3.89	4.42
Payment days	(day)	69.64	93.92	82.56
Cash cycle	(day)	72.29	104.22	96.63
<b>Profitability Ratio</b>				
Gross profit margin	(%)	23.98	18.85	7.46
Operation profit	(%)	15.77	11.34	-0.80
Another profit	(%)	0.82	2.06	1.36
Quality of earnings	(%)	123.26	123.86	1865.54
Return on total income	(%)	5.19	4.52	-10.73
Return on equity	(%)	5.80	4.53	-13.62
<b>Efficiency Ratio</b>				
Return on total assets	(%)	2.73	2.12	-5.57
Return on fixed assets	(%)	18.73	18.87	-0.37
Asset turnover	(times)	0.53	0.48	0.53
<b>Financial Policy Ratio</b>				
Debt to equity ratio	(times)	1.06	1.20	1.08
Leverage ratio	(times)	9.65	4.80	-2.02

## **14. Management Discussion and Analysis (MD&A)**

### **Management discussion and analysis: operating results analysis overview**

#### **(Operation overview and factors of significant changes)**

Thai Polycons Public Company Limited (“TPOLY”) has mainly operated the construction business, and it has later expanded investments in another 3 businesses including energy, property, and trading, which have been operated by its subsidiaries. TPOLY had made investments in the energy business by holding 41.26 percent of shares in TPC Power Holding Public Company Limited (“TPCH”) whose main business is to hold shares in other companies (holding company) that have operated the generation and sales of electricity from biomass power plants. TPCH has invested in power plants of 11 companies whereas 4 out of them have achieved their commercial operation date already. In respect with the property business, TPOLY holds 99.99 percent of shares in TPC Asset Company Limited, which has undertaken 2 projects. Regarding the trading business, TPOLY holds 99.99 percent of shares in TPC Bangkok Supply Company Limited whose business is to invest in joint ventures; one of them has begun the operation already.

#### **Major events in 2017**

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In 2017, the Management and staffs of Thai Polycons Public Company Limited had determination and contributions to make the Company achieve the good operating performance, and move forward for the sustainable, secure, and perpetual growth. In general, the financial restructuring and investment plan for the Company’s financial strength, as well as the management restructuring plan implemented previously took the positive effect to the Company’s performance in this year when its management becomes more explicit and efficient. The cost control plan could be successfully implemented as the financial cost and investment as well as management cost could be reduced so the Company’s operating performance was improved. The Management has also implemented the strategic management plan for operations of the whole business group in order to minimize the management and investment risks, which would lead to a holistic management planning for the Company’s highest efficiency in the long term.

- April 1, 2017 the number of shares derived from exercised warrants totally 2,410 shares as on the 7th exercise rights of certificate of warrant (TPOLY-W2) from the remaining of 125,975,546 units. Remained shared to be exercised warrants totally 125,973,136 units. As of April 17, 2017, the company has registered the paid up capitals from 566,892,947 Baht to be 566,895,357 Baht.

- April 26, 2017 the Board of Directors' TPOLY year 2017 approved to allocation of net profit for dividend payments from the Company's operating performance for the fiscal year ended December 31, 2016 to the shareholders at the rate of Baht 0.01153 per share, total amounting to Baht 6,536,275.68, representing more than 40 percent of the net profit from the financial statements of the Company, which was in conformity with the Company's dividend payment policy.

- September 29, 2017 the number of shares derived from exercised warrants totally 102,750 shares as on the 9th exercise rights of certificate of warrant (TPOLY-W2) from the remaining of 125,973,136 units. Remained shared to be exercised warrants totally 125,870,386 units. As of October 10, 2017, the company has registered the paid up capitals from 566,895,357 Baht to be 566,998,107 Baht.

#### Classification by business type

- Construction Business

In 2017, the total value of signed projects amounts 10,070.7 Million Baht generating total revenue of 6,630.5 Million Baht. Only in the year 2017, the revenue is 2,500.9 Million Baht. The remaining revenue is totally 3,447.1 Million Baht. That includes the new 6 construction projects for year 2017, totally valued (Including VAT) 2,877.4 Million Baht as follows,

Project (Type)	Amount (Projects)	Project Value (MB)
Government	2	547.0
Private	1	1,000.4
Power Plant	3	1,330.0
Total	6	2,877.4

## Renewable Power Plant Business

- 8 April 2016, Mahachai Green Power Co., Ltd., a joint venture, has begun its commercial operation date to sell electricity to the Provincial Electricity Authority in Feed in Tariff (FiT) system. TPCH would recognize the operating performance based on the portion of shares held at 46%.

- 26 September 2016, Chang Raek Biopower Co., Ltd. has agreed for an amendment of the Power Purchase Agreement for the electricity purchase from a very small power producer from Adder to FiT system. This amendment has been effective when the National Energy Policy Office passed the resolution, on March 11, 2016, of revenue recognition in FiT system.

- 3 October 2016, Thung Sung Green Co., Ltd., a subsidiary in which TPCH held 65% of shares, has begun its commercial operation date to sell electricity to the Provincial Electricity Authority in Feed in Tariff (FiT) system.

- In Quarter 3/2016, the Company has made investments in another 2 associated companies, which have operated the renewable energy by generating electricity from RDF. The first associated company was Siam Power Co., Ltd. in which TPCH held 45% of shares, and, on October 21, 2016, the investment was added to be 50%. The second associated company was PA Waste & Energy Co., Ltd. in which TPCH held 45% of shares. The operating performance would be recognized according to the portion of shareholding

- In 2016, the Company was selected as a very small power producer for electricity generated from renewable energy (including solar energy project) in FiT system (Phase 1 for projects located in 3 southern border provinces of Thailand (Pattani, Yala, and Narathiwat) and in 4 districts of Songkhla (Chana District, Thepha District, Saba Yoi District, and Na Thawi District)). The Company was awarded for 3 projects with the total installed capacity of 26.1 MW; namely, TPCH1, TPCH2, and TPCH5 (production capacity of 9.9, 9.9, and 6.3 MW respectively). The Power Purchase Agreement was executed on December 23, 2016 and the scheduled commercial operation date would be within December 31, 2018

- The Company also had other biomass power plants that have been under construction and their commercial operation date would start as scheduled; they were PGP and SGP. Both projects were subsidized by the Provincial Electricity Authority in the FiT system. Another project or PTG has been under development with production capacity of 46 MW, which would sell electricity to the Electricity Generating Authority of Thailand in the Adder system. The Specialist Committee has already resolved to approve the environmental impact assessment

report (EIA) for the said biomass power plant projects on December 28, 2016; this would make the Company's operating results better in the future.

### **Property Business**

- Greenwich Town Home Ramintra, the total project value 713 Million Baht has total units for sale of 174 units. The total of sale and transferred until year 2017 is 172 units. Only in the year 2017, the sale and transferred is 23 units. The amount of waiting to be transferred is 1 unit and the remaining for sale is 1 units. Therefore, the progress of sale is more than 99% and all of the project is expected to be done within Quarter1/2018.

- Greenwich Prime Hatairath, the new project valued 370 Million Baht on 20 Rai The total units of single-house type are 94 units. The total of sale and transferred until the year 2017 is 43 units. Only in the year 2017, the sale and transferred is 42 units. The amount of sale and waiting to be transferred is 24 units and the remaining for sale is 27 units. Therefore, the progress of sale is more than 71% and all of the project is expected to be done within Year 2018.

### **Commerce and Trading Business**

- In the year 2017, TPC Bangkok Supply and Joint Ventures has revenue amounts is 17.5 Million Baht. And the company is continuing for increasing new services and products. Currently, company is the sales agent of many well-known construction products such as Siam City Cement's products and TPI group products.

### **Operating Performance Overview**

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Overall operation performance in the year 2017 compared to last year, the company and its subsidiaries have total revenue 3,432.0 Million Baht, increasing 723.5 Million Baht. (or increasing 26.7%). Net Profit amounted to 415.4 Million Baht, compared to same period of the past year, increasing 117.7 Million Baht. The company has its operation performance trended to be good results time to time. Overall financial performance could be concluded as follows.

**Table 1:** Operating performance overview in 2017

Million	2017	2016	Variance Y-o-Y		Portion to Income	
			Amount	%	2017	2016
<b>Total revenues</b>	3,432.0	2,708.5	723.5	26.7	100.0	100.0
<b>Total cost</b>	(2,609.0)	(2,197.9)	411.1	18.7	(76.0)	(81.1)
<b>Gross profit</b>	823.0	510.6	312.4	61.2	24.0	18.9
Other income	28.0	55.8	(27.8)	(49.8)	0.8	2.1
<b>Profit before expenses</b>	851.0	566.4	284.6	50.2	24.8	20.9
Selling and Administrative expenses	(309.9)	(259.1)	50.7	19.6	(9.0)	(9.6)
<b>Profit (Loss) After Selling and Administ</b>	541.1	307.3	233.9	76.1	15.8	11.3
<b>Profit (Loss) before income tax</b>	434.0	281.3	152.7	54.3	12.6	10.4
<b>Profit (Loss) for periods</b>	415.4	297.7	117.7	39.5	12.1	11.0

## 1. Operating Results Analysis

### 1.1 Revenues

**Table 2:** Summary of Income

Million	2017	2016	Variance Y-o-Y		Portion to Income	
			Amount	%	2017	2016
Revenues from construction services	2,063.7	1,922.3	141.4	7.4	60.1	71.0
Revenues from sales of electric	1,092.7	658.2	434.5	66.0	31.8	24.3
Adder subsidy income	0.0	14.2	(14.2)	(100.0)	0.0	0.5
Revenues from sales of real estate	258.2	113.8	144.4	126.9	7.5	4.2
Revenues from sales of services	17.5	0.0	17.5	100.0	0.5	0.0
<b>Total revenues</b>	3,432.0	2,708.5	723.5	26.7	100.0	100.0
Other income	28.0	55.8	(27.8)	(49.8)	0.8	2.1

• Total revenue in the year 2017 compared to last year increasing 723.5 Million Baht. (or increasing 26.7%). Most of total revenue was from construction projects which amounted to 2,063.7 Million Baht, increasing 141.4 Million Baht. (or increasing 7.4%) while company has projects in hand that will generated partially incomes in 2020, company is continuing of bidding newly construction projects, the revenue is expected to be growing after operating more projects. Furthermore, The Company has gaining more revenue from Real Estate and sale from electricity. The revenue structure in the year 2017 was from construction projects 60.1%, real estate development 7.5%, sale of electricity 31.8% and revenue from sales and services 0.5%.

• The revenue from sale of real estate in the year 2017 is 258.2 Million Baht, increasing 144.4 Million Baht. (or increasing 126.9%). While the currently project is getting completed of

sale soon, the company has launched strategic marketing plan to help sale of units to be ended by the year 2108 while company is searching for high potential location to buy property land in order to build a new property project.

- The Revenue from electricity sales in the year 2017 is 1,092.7 Million Baht, compared to the same period of the past year was increasing 434.5 Million Baht (or increasing 66.0%) As the results of, the company had more revenue increasing from Phatthalung Green Power Company Limited (PGP) which COD in quarter 3/2017. They started supplying electricity commercially in the form of PEA purchasing power Feed in Tariff (FiT), totally 5 projects while compared to the same period of the previous year of which the company had only 4 projects (CRB MWE MGP and TSG) operating.

- However in the year 2017 The Company has contribution from sales and services, amount is 17.5 Million Baht.

## 1.2 Cost of Sales and Expenses

**Table 3:** Summary of Costs and Expenses

Million	2017	2016	Variance Y-o-Y		Portion to Income	
			Amount	%	2017	2016
<b>Total revenues</b>	3,432.0	2,708.5	723.5	26.7	100.0	100.0
Cost of construction services	(1,822.6)	(1,768.5)	54.1	3.1	(53.1)	(65.3)
Cost of sales of electric	(580.7)	(343.1)	237.6	69.3	(16.9)	(12.7)
Cost of sales of real estate	(190.8)	(86.3)	104.5	121.1	(5.6)	(3.2)
Cost of sales of services	(14.9)	0.0	14.9	0.0	(0.4)	0.0
<b>Total cost</b>	(2,609.0)	(2,197.9)	411.1	18.7	(76.0)	(81.1)
<b>Gross profit</b>	823.0	510.6	312.4	61.2	24.0	18.9
Other income	28.0	55.8	(27.8)	(49.8)	0.8	2.1
Selling expenses	(18.8)	(6.8)	12.0	176.4	(0.5)	(0.3)
Administrative expenses	(291.1)	(252.3)	38.8	15.4	(8.5)	(9.3)
<b>Profit (Loss) After Selling and Administ</b>	541.1	307.3	233.9	76.1	15.8	11.3
Reversal doubtful accounts (Doubtful accoun	16.5	7.1	9.4	132.9	0.5	0.3
Gains on changes in investments	(49.8)	0.0	49.8	0.0	(1.5)	0.0
Other expenses	(0.2)	0.0	0.2	0.0	(0.0)	0.0
Financial cost	(79.9)	(62.9)	17.0	27.0	(2.3)	(2.3)
Gain (Losses) on Investment in JV	6.0	29.8	(23.8)	(79.8)	0.2	1.1
<b>Profit (Loss) before income tax</b>	434.0	281.3	152.7	54.3	12.6	10.4
Income tax expenses	(18.6)	16.4	35.0	213.3	(0.5)	0.6
<b>Profit (Loss) for periods</b>	415.4	297.7	117.7	39.5	12.1	11.0



**Table 4: Cost to Income Ratio**

Million	Portion to Income		Variance Y-o-Y
	2017	2016	
Cost of construction services	(53.1)	(65.3)	(12.2)
Cost of sales of electric	(16.9)	(12.7)	4.3
Cost of sales of real estate	(5.6)	(3.2)	2.4
Cost of sales of services	(0.4)	0.0	0.4
<b>Total cost</b>	<b>(76.0)</b>	<b>(81.1)</b>	<b>(5.1)</b>

- Overall of the year 2017, the company had total cost increasing of 411.1 Million Baht (or increasing 18.7%) compared to the last year. However the Ratio of total costs to total revenue decreased by 5.1%.

- Costs of Construction increasing by 54.1 Million Baht (or increased 3.1%) while the ratio of cost to revenue strongly decreased by 12.2% as the result of well-project management and construction costs Management by establishing the unit of quality control and inspection for construction projects. and well-controlling of construction projects.

- Costs of real estate sales increased 104.5 Million Baht (or increased 121.1%) as the portion of revenue increased, while the ratio of cost to revenue increased by 2.4%.

- Costs of electricity sales increased 237.6 Million Baht (or increased 69.3%) As the results of, the company had 3 more project (MGP TSG and PGP) started supplying electricity commercially in the form of PEA purchasing power Feed in Tariff (FiT), totally 5 projects generated revenue including CRB and MWE while compared to the same period of the past year had only 2 project CRB and MWE which full year operated, and 8 month operated (MGP) and 3 month operated (TSG). The ratio of cost to revenue compared to the same period of the previous year was 12.7 while the year 2017 is 16.9, increased by 4.3%.

- Selling and Administrative Expenses increased 50.7 Million Baht (or increased 19.6%) which mainly increasing by real estate sales business even though the results increasing sales revenue while the ratio of cost to revenue decreased by 0.6% of which resulted from a well-developed operating process. Therefore, lead to the decreased in operating expense.

- Total Financial Costs increased 17.0 Million Baht (or increased 27.0%) compared to the same period of the past year as the results of the investment in power plant business while the ratio of cost to revenue is 2.3%.

- Income Tax amounted to 17.0 Million Baht (increased 35.0 Million Baht compared to the same period of the past year) as the portion of revenue increased.

## 2. Financial Status Analysis

**Table 5: Financial Overview**

Million Baht	Amount		Variance	
	31-Dec-17	31-Dec-16	Amount	%Y-on-Y
Current Assets	1,726.3	2,492.4	-766.1	-30.7%
Non-Current Assets	5,006.5	3,819.1	1,187.4	31.1%
<b>Total Assets</b>	<b>6,732.8</b>	<b>6,311.5</b>	<b>421.3</b>	<b>6.7%</b>
Current Liabilities	1,751.6	1,782.2	-30.6	-1.7%
Non-Current Liabilities	1,719.5	1,675.7	43.8	2.6%
<b>Total liabilities</b>	<b>3,471.1</b>	<b>3,457.8</b>	<b>13.2</b>	<b>0.4%</b>
<b>Equity</b>	<b>3,261.7</b>	<b>2,853.7</b>	<b>408.0</b>	<b>14.3%</b>

### 2.1 Assets

As of December 31, 2017, total assets amounted to 6,732.8 Million Baht increased from the past year 421.3 Million Baht (or increased 6.7%) as follows,

- Current Assets decreased 766.1 Million Baht (or decreased 30.7%) due to working capitals activities mainly as, decreasing in Cash and cash equivalents, Temporary investments, Retention receivable, Real estate projects under development and Advance payment for land.
- Non-Current Assets increased 1,187.4 Million Baht (or increased 31.1%) due to increasing of project investment mainly as, Investments in subsidiaries, Investment properties - land, Property, plant and equipment and Advance payment for Legal Execution Department

### 2.2 Liabilities

As of December 31, 2017, the total liabilities amounted to 3,471.1 Million Baht increased from past year 13.2 Million Baht (or increased 0.4%) as follows,

- Current Liabilities decreased 30.6 Million Baht (or decreased 1.7%) mainly as, increasing in Current portion of Long-term loans from financial institutions, Current portion of liabilities under finance lease contract and Retention payable while the decreasing mainly as Advances received under construction contracts and Trade accounts payable and other payable.

- Non-Current Liabilities increased 43.8 Million Baht (or increased 2.6%) mainly as, Long-term loan from financial institution (Project Finance) and Liabilities under financial lease contract due to the business expansion while retention payable decreased.

### **2.3 Shareholders' Equity**

As of December 31, 2017, the total of the company's Equities amounted to 3,261.7 Million Baht increased from past year 408.0 Million Baht (or increased 14.3%) due to mainly as retained earnings.

### **3. Business Overview and Prospect**

Overall performance in the Year 2017, the company and its subsidiaries have their net profit as the results of the improvement of operation management. Total revenue has strongly increased compare to the same period of the past year. The mainly revenue is from construction business while company is continuing bidding newly projects. However, the company has the revenue increased in Real Estate business and Power Plant business. Especially, Power Plant business has full year operated two more projects (MGP and TSG), and one more project 6 month operated, totally 5 projects. The company also has projects on biomass power plant that under construction total of 1 project, Satun Green Power Company Limited (SGP). This project is supported by the Provincial Electricity Authority (PEA) for Feed in Tariff (FiT) and expected COD in year quarter 1st/2018. Moreover the company have more 4 Power Plant under operating planning, expected to be operate in year 2018-2019. The Real Estate business has currently project which is nearly to be ended of sale, increased in amount of sale units in the year 2017 so that the sale revenue increased. Therefore, the company and its subsidiaries have increased of revenue compared to the same period of the past year.

The ratio of total costs to total revenue decreased as the results of cost management and well-control of construction projects. In Power Plant business, increased cost is from cost of new project operation. However, the ratio of costs to revenue of all business decreased compared to the same period of the past year.

Selling and Administrative Expenses to total revenue decreased as the results of well-controlling of expenses, while The ratio of Financial Costs to total revenue increased as business expanding in electricity power plant.

Trends of the company in 2018, the construction business has revenue from currently projects and the upcoming projects continuously and the company aims to bid new more construction projects, those are generating more revenue. Moreover, the company has focused on selective projects that must be operated with quality, efficient, well-management and profitability, therefore, the company is in the period of bidding newly construction projects, the revenue is expected to be growing after operating more projects in nearly future. Including Power Plant, Real Estate Development and Trading, currently in the business expansion are trended to be growing continuously.

**Enclosure 1**

**Details of Directors, Management, Controlling Persons, and Company Secretary**

## Details of Directors, Management, Controlling Persons, and Company Secretary

### 1.1 Details of Directors, Management, Controlling Persons (if any), and Company Secretary

Name/ Title/ Date of Appointment		Age (Year)	Educational Background/ Training	Proportion of Shares held in the Company (percentage) (31/12/17)	Family Relationship between Directors and Management	Working Experience		
						Period	Title	Name of Agency/ Company/ Type of Business
1.	Dr. Thanu Kulachol/ Director/ Chairman of the Board of Directors and Independent Director/ 24 March 2008	77	Ph.D.(Higher Education), Southern Illinois University at Carbondale, U.S.A.  Master of Business Administration (Finance), Fairleigh Dickinson University, U.S.A.  Advanced Management Program, Harvard University, U.S.A.  Bachelor degree in Business and Administration, Bangkok University  Diploma, National Defence College, Joint State-Private Sector Course, Class 2  Directors Accreditation Program (DAP), Cass 69, Thai Institute of Directors	-None-	-	2007-present        2007-present        2008-2011	Director, Chairman, Independent Director Director Director  Rector Emeritus  Senator	Thai Polycons Plc./ construction TPC Power Holding Plc. Siam Power Co., Ltd.  Bangkok University/ Education  Parliament/ Government



Name/ Title/ Date of Appointment		Age (Year)	Educational Background/ Training	Proportion of Shares held in the Company (percentage) (18/01/17)	Family Relationship between Directors and Management	Working Experience		
						Period	Title	Name of Agency/ Company/ Type of Business
2.	Mr. Chainarong Chanpalangsri/ Director/ 1 December 1988	57	Master of Arts, Political Science, Ramkhamhaeng University  Directors Accreditation Program (DAP), Class 69/ Thai Institute of Directors  Phum Palang Pandin Program for Top Executives, Class 2/ Chulalongkorn University  Management of Public Economics for Executives Program, King Prajadhipok's Institute, Class 13  Top Executive Program, Capital Market Academy, Class 21 (CMA 21)  Top Executive Program in Commerce and Trade (TEPCOT), Class 9	1.029	Brother of husband of Mrs. Kanoktip Chanpalangsri	Feb 2017-present  <		



Name/ Title/ Date of Appointment		Age (Year)	Educational Background/ Training	Proportion of Shares held in the Company (percentage) (31/12/17)	Family Relationship between Directors and Management	Working Experience		
						Period	Title	Name of Agency/ Company/ Type of Business
3.	Mrs. Kanoktip Chanpalangsri/ Director/ Chairman of the Executive Board/ Authorized Director to sign on behalf of the Company/ 28 January 2013	59	Master of Business Administration, Executive MBA Program, Kasetsart University  Bachelor of Science in Accounting/ Kasetsart University  Directors Accreditation Program (DAP), Class 104/2013/ Thai Institute of Directors  Phum Palang Pandin Program for Top Executives, Class 4/ Chulalongkorn University/ 2015  Strategic CFO in Capital Program/ Stock Exchange of Thailand/ 2015  Executive Relationship Development Course, Class 13/ Naval Civil Affairs Department, 2016  Professional Family Business Management (PFBM), Class 16/	35.157	Sister-in-law of Mr. Chainarong Chanpalangsri	Feb 2017-present	Chairman of Executive Board Chairman of Executive Board Director Director Director Director  Director Director  Director Director  Director Director Director Director Director Director Director	Thai Polycons Plc.  TPC Power Holding Plc.  TPC Asset Co., Ltd. TPC Bangkok Supply Co., Ltd. Thai Polycons and Laem Thong Phatthalung Joint Venture TPCI Joint Venture Changraek Biopower Co., Ltd. Mahachai Green Power Co., Ltd.  Thung Sung Green Co., Ltd. Phatthalung Green Power Co., Ltd.  Pattani Green Co., Ltd. Maewong Energy Co., Ltd. Satun Green Power Co., Ltd. TPCH Power 1 Co., Ltd. TPCH Power 2 Co., Ltd. TPCH Power 3 Co., Ltd. TPCH Power 4 Co., Ltd. TPCH Power 5 Co., Ltd. Siam Power Co., Ltd.





Name/ Title/ Date of Appointment		Age (Year)	Educational Background/ Training	Proportion of Shares held in the Company (percentage) (31/12/17)	Family Relationship between Directors and Management	Working Experience		
						Period	Title	Name of Agency/ Company/ Type of Business
			KASIKORN BANK, 2016  Thammasat Leadership Program, Class 9/ Thammasat University, 2016			2013-Jan 17	Senior Executive President/ Accounting and Finance	Thai Polycons Plc.

Name/ Title/ Date of Appointment		Age (Year)	Educational Background/ Training	Proportion of Shares held in the Company (percentage) (31/12/17)	Family Relationship between Directors and Management	Working Experience		
						Period	Title	Name of Agency/ Company/ Type of Business
4.	Dr. Supong Limtanakool/ Chairman of the Audit Committee and Independent Director/ 24 March 2008	66	Doctor of Philosophy in Marketing (DBA), University of San Gabriel  Directors Accreditation Program (DAP), Class 68/ Thai Institute of Directors	-None-	-	2016-present  2007-2016	Chairman of the Audit Committee Member of the Audit Committee Director  Director  Vice-Rector	Thai Polycons Plc.   S.J.R. International Co., Ltd. Nation Broadcasting Plc.  Bangkok University/ Education

Name/ Title/ Date of Appointment		Age (Year)	Educational Background/ Training	Proportion of Shares held in the Company (percentage) (31/12/17)	Family Relationship between Directors and Management	Working Experience		
						Period	Title	Name of Agency/ Company/ Type of Business
5.	Mr. Pornthep Sawetwannakul/ Director, Independent Director, Member of the Audit Committee/ 30 May 2008	44	Master degree in Accounting, Chulalongkorn University  Directors Accreditation Program (DAP), Class 45, Thai Institute of Directors	-None-	-	2008-present	Member of the Audit Committee/ Independent Director	Thai Polycons Plc./ Construction
						2007-2012	Accounting Manager,	Mettler Toledo (Thailand) Co., Ltd./ scale distribution
						2004-2007	Accounting Manager	KarnCorn Co., Ltd./ production and distribution of vegetables in sealed containers
						1996-2004	Assistant Audit Manager	Ernst and Young Office Co., Ltd.

Name/ Title/ Date of Appointment		Age (Year)	Educational Background/ Training	Proportion of Shares held in the Company (percentage) (31/1217)	Family Relationship between Directors and Management	Working Experience		
						Period	Title	Name of Agency/ Company/ Type of Business
6.	Dr. Srisuda Chongsithiphol/ Director/ Member of the Audit Committee, Independent Director/ 26 September 2016	62	Master of Accounting, Utah State University, USA  Directors Accreditation Program (DAP), Class 134/2017, Thai Institute of Directors	-None-	-	2016-present	Member of the Audit Committee/ Independent Director	Thai Polycons Plc./ Construction
						2013-present	Qualified lecturer	Bangkok Academic Service Center, Naresuan University

Name/ Title/ Date of Appointment		Age (Year)	Educational Background/ Training	Proportion of Shares held in the Company (percentage) (31/12/17)	Family Relationship between Directors and Management	Working Experience		
						Period	Title	Name of Agency/ Company/ Type of Business
7.	Mr. Cherdasak Wattanavijitkul/ Director/ 28 January 2013	40	Master of Business Administration, Bangkok University  Bachelor of Business Administration, Assumption University  Directors Accreditation Program (DAP), Class 100, Thai Institute of Directors  CFO Thailand, Class 16	0.200	-	2013-present	Director Managing Director  Director Director Director Director Director  Director Director Director Director Director Director Director Director Director	Thai Polycons Plc. TPC Power Holding Plc.  TPC Asset Co., Ltd. Chang Raek Biopower Co., Ltd. Mahachai Green Power Co., Ltd. Thung Sung Green Co., Ltd. Phatthalung Green Power Co., Ltd.  Pattani Green Co., Ltd. Maewong Energy Co., Ltd. Satun Green Power Co., Ltd. TPCH Power 1 Co., Ltd. TPCH Power 2 Co., Ltd. TPCH Power 3 Co., Ltd. TPCH Power 4 Co., Ltd. TPCH Power 5 Co., Ltd. Siam Power Co., Ltd.
						2010-2013	Vice President – Business	Thai Polycons Plc.



Name/ Title/ Date of Appointment		Age (Year)	Educational Background/ Training	Proportion of Shares held in the Company (percentage) (31/12/17)	Family Relationship between Directors and Management	Working Experience		
						Period	Title	Name of Agency/ Company/ Type of Business
						2008-2010	Development Manager – Business Development	
						2006-2008		A.P. Honda Co., Ltd./ Motorcycle Sale

Name/ Title/ Date of Appointment		Age (Year)	Educational Background/ Training	Proportion of Shares held in the Company (percentage) (31/12/17)	Family Relationship between Directors and Management	Working Experience		
						Period	Title	Name of Agency/ Company/ Type of Business
8.	Mr. Pathompol Saosap/ President, Director and Authorized Director to sign on behalf of the Company/ 24 April 2013	50	Bachelor of Engineering in Civil Engineering, Southwestern University, The Philippines  Directors Accreditation Program (DAP), Class 103, Thai Institute of Directors  Phum Palang Pandin Program for Top Executives, Class 2/ Chulalongkorn University	-None-	-	Feb 2017-present	President	Thai Polycons Plc. TPC Power Holding Plc. TPC Asset Co., Ltd. TPC Bangkok Supply Co., Ltd. TPCI Joint Venture Chang Raek Biopower Co., Ltd. Mahachai Green Power Co., Ltd. Phatthalung Green Power Co., Ltd. Satun Green Power Co., Ltd.
						2015-present	Senior Executive Vice President – Construction	Thai Polycons Plc.
						2013-2015	Vice President – Office Support	
						2008-2013	Manager - Procurement	

Name/ Title/ Date of Appointment		Age (Year)	Educational Background/ Training	Proportion of Shares held in the Company (percentage) (31/12/17)	Family Relationship between Directors and Management	Working Experience		
						Period	Title	Name of Agency/ Company/ Type of Business
9.	Mr. Jackrit Pongprasert/ Director/ Executive Director, Assistant Vice President – Technical Engineering and Authorized Director to sign on behalf of the Company/ 1 July 2015	58	Bachelor of Engineering in Civil Engineering, Kasetsart University  Directors Accreditation Program (DAP), Class 123, Thai Institute of Directors	-None-	-	Jun 2016-present	Executive Vice President – Operation Engineering Director	Thai Polycons Plc./ Construction  TPC Asset Co., Ltd. Chang Raek Biopower Co., Ltd.
						2015-2016	Executive Vice President – Office Support	
						2014-2015	Vice President – Government-Sector Construction	
						2013-2014	Assistant Vice President	Hat Yai P.S.M. Construction Co., Ltd./ Construction



Name/ Title/ Date of Appointment		Age (Year)	Educational Background/ Training	Proportion of Shares held in the Company (percentage) (31/12/17)	Family Relationship between Directors and Management	Working Experience		
						Period	Title	Name of Agency/ Company/ Type of Business
10.	Mr. Adisorn Srisuksai	48	<p>Master of Business Administration in Financial Management/ National Institution of Development Administration</p> <p>Bachelor of Economics (Second Class Honors) in International Economics/ Chulalongkorn University</p> <p>Phum Palang Pandin Program for Top Executives, Class 2/ Chulalongkorn University/ 2014</p> <p>Strategic CFO in Capital Program, Class 3/ Stock Exchange of Thailand/ 2016</p>	-None-	-	<p>1 Mar 2016 – present</p> <p>2004-2016</p>	<p>Executive Vice President – Accounting and Finance</p> <p>Deputy Director, Corporate Strategy and Planning Department</p>	<p>Thai Polycons Plc./ Construction</p> <p>Sukhumvit Asset Management Co., Ltd.</p>

Name/ Title/ Date of Appointment		Age (Year)	Educational Background/ Training	Proportion of Shares held in the Company (percentage) (18/01/17)	Family Relationship between Directors and Management	Working Experience		
						Period	Title	Name of Agency/ Company/ Type of Business
11.	Mr. Vikul Lohamongkol	55	Master of Engineering, Khon Kaen University	-None-	-	2016-present	Executive Vice President – Technical Engineering	Thai Polycons Plc./ Construction
							Director	Chang Raek Biopower Co., Ltd.
							Director	Thung Sung Green Co., Ltd.
							Director	TPCH Power 1 Co., Ltd.
							Director	TPCH Power 2 Co., Ltd.
							Director	TPCH Power 3 Co., Ltd.
							Director	TPCH Power 4 Co., Ltd.
							Director	TPCH Power 5 Co., Ltd.
						2006-2015	Director – Technical	Thai Kawashima Co., Ltd.
						2004-2006	Manager - Construction	

Name/ Title/ Date of Appointment		Age (Year)	Educational Background/ Training	Proportion of Shares held in the Company (percentage) (18/01/17)	Family Relationship between Directors and Management	Working Experience		
						Period	Title	Name of Agency/ Company/ Type of Business
12.	Miss Jariya Pinpet/ Company Secretary/ 1 July 2015	40	Bachelor of Education, Phranakhon Rajabhat University	0	-	2015-present	Company Secretary	Thai Polycons Plc./ Construction
			Effective Minute Taking (EMT), Class 34/2016 from Thai Institute of Directors			2008-2015	Executive Secretary	Thai Polycons Plc./ Construction
			Company Secretary Program (CSP), Class 63/2015 from Thai Institute of Directors			2006-2008	HR Senior Officer	Geminai & Associate Co., Ltd./ Construction
			Strategic Negotiations Training Program/ Thailand Productivity Institute			2001-2016	Secretary - Construction	Siem Intergroup Co., Ltd. (close down)/ Construction
			Systems Thinking Training Program/ Thailand Productivity Institute					
			Executive Secretary Training Program, Class 48/ Dharmniti Seminar and Training Co., Ltd.					
			Precautions for System Arrangement and Improvement of Payment and Receivable Documents Program/ Dharmniti Seminar					



Name/ Title/ Date of Appointment		Age (Year)	Educational Background/ Training	Proportion of Shares held in the Company (percentage) (18/01/17)	Family Relationship between Directors and Management	Working Experience		
						Period	Title	Name of Agency/ Company/ Type of Business
			and Training Co., Ltd.  Coaching Techniques based on Competency and KPIs Program/ HIPO Training and Consultancy Co., Ltd.					

## 1.2 Duties and Responsibilities of the Company Secretary

The Company Secretary must perform duties as specified in Section 89/15 and Section 89/16 of the Securities and Exchange Act (No. 4), B.E. 2551, effective on 31 August 2008, by accountability, prudence and integrity, and in compliance with laws, objectives, regulations, resolutions of the Board of Directors, as well as resolutions of the shareholders' meeting. The duties of a company secretary as prescribed by law are listed below.

1. Preparing and keeping the following documents:

- a. a register of directors;
- b. a notice calling director meeting, a minute of meeting of the board of directors, and an annual report of the company;
- c. a notice calling shareholder meeting and a minute of shareholders' meeting.

2. Keeping a report on interest filed by a director or an executive, and filing a report on interest according to Section 89/14 to the chairman of the board and the chairman of the audit committee for acknowledgement within 7 business days upon the date of receiving the said report.

3. Performing any other acts as specified in the notification of the Capital Market Supervisory Board. A company secretary also has other duties assigned by the Company as follows:

- providing advice on laws and other related regulations, and best practices in regulating the activities performed by the board of directors to ensure that they comply with laws;
- arranging the meeting of the board of directors and the shareholders' meeting;
- coordinating with every department of the Company to ensure that it complies with resolutions of the board of directors and shareholders' meeting;
- coordinating with all regulatory authorities, e.g. Stock Exchange of Thailand; overseeing the information disclosure; and reporting the information to any and all regulatory and public authorities as required by law;
- arranging an orientation for a newly-appointed director; and
- performing other duties specifically assigned by the Company.

## **INDEPENDENT AUDITOR'S REPORT**

### **To the Shareholders of THAI POLYCONS PUBLIC COMPANY LIMITED**

#### ***Opinion***

I have audited the accompanying consolidated and separate financial statements of THAI POLYCONS PUBLIC COMPANY LIMITED AND SUBSIDIARIES (the Group) and of THAI POLYCONS PUBLIC COMPANY LIMITED (the Company), which comprise the consolidated and separate statements of financial position as at December 31, 2017, and the consolidated and separate statements of comprehensive income, consolidated and separate statements of changes in shareholders' equity and consolidated and separate statements of cash flows for the year then ended, and notes to the 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 financial position of THAI POLYCONS PUBLIC COMPANY LIMITED AND SUBSIDIARIES and of THAI POLYCONS PUBLIC COMPANY LIMITED as at December 31, 2017, and their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

#### ***Basis for Opinion***

I conducted my audit in accordance with Thai Standards on Auditing. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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 together with the ethical requirements that are 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.

### **Key Audit Matters included Auditing Procedures are as follows:**

#### ***Recognition of revenues from construction contracts business on a percentage of completion***

In 2017, the Company and certain subsidiaries have revenues from construction contract amount of Baht 2,063,653,192.91 and Baht 2,508,997,103.82 in the consolidated financial statements and separate financial statements, respectively recognized on a percentage of completion of each contract. The significant judgment is made in revenues recognition from construction contract on percentage of completion method by calculating on the proportion of construction cost incurred at the reporting date and comparing with total estimated costs of completed construction. It may take risk form deviation in percentage of completion work caused by gathering cost of construction incurred and using of significant judgment in changing and properly updating in estimated costs of completed construction in part of construction work of existing contracts and increase or decrease. The results of deviation have material impact to revenues and profit from operation.

I have obtained an assurance in respect of revenue recognition from construction contracts business on a percentage of completion,by included;

- Obtained an understanding and assessed the significant internal control system in respect of the completeness of recording cost of construction and estimatingcost of completed construction and tested such significant internal control system for taking into consideration whether internal controls are effective throughout the year.
- Performed sample test cost of construction transactions for checking with evidences involved the amounts of transactions and relationship of work under construction contracts.

- Selected the contracts in order to observe the construction work on the field site by checking the volume of reported work which compare with the existing work, inquire the controller engineering about the project situation and the proceeding and trouble of construction work for considering the factors which may have the impact on the estimates of cost of completed construction
- Compared the percentage of completion work and report of results of construction approved by the consultancy engineering and considered the reasonable of discrepancy.
- Obtained an understanding and evaluated the appropriation of estimated cost of completed construction by discussing with the Management involve the judgment and reviewing the suitability of such estimation.

***Investment reclassification(Consolidate and Separate financial statements)***

As stated in notes 16 and notes 17 to financial statements, the Group has material amount of investments in subsidiaries, associates and joint venture in financial statements. And as stated in notes 3 to financial statements, it represents consolidated financial statements preparation basis and presentation of investment in consolidated and separate financial statements. Nevertheless, the investment had a different pattern. The Management has made substantively significant judgment for taking into consideration of information that investment and joint venture agreement have resulted in control power or influence or joint arrangement in order to precisely reclassify investment. Investment reclassification has significant impacts on the consolidated financial statements preparation in accordance with financial reporting standards.

I have obtained an assurance in respect of investment reclassification, by included;

- Obtained an understanding of control system relating to investment reclassification policy, control power of the management.
- Considered the judgments of the Management by focusing on possible having control power other than proportion of investment, agreements such as indirect control by financial management control.
- Assessed and performed substantive procedure on investment such as proportion of investment, joint venture structuring, joint venture agreement and other agreements in order to obtain an understanding related to rights, responsibilities and interests of the investor.



***Cost of electricity generating plant project in progress (Consolidated financial statements)***

As stated in notes 19 to financial statements, the Group has been constructing electricity plants project, the recording of this account is to consider that any costs should be accounted for assets or expenses. The Management has to use significant judgments in taking of consideration and recording costs of such project including, among other, derecognized costs of borrowings as parts of costs of project, if the condition is entered in accordance with the determination in financial reporting standards.

I have obtained an assurance in respect of cost of electricity generating plant project in progress, by included;

- Obtained an understanding of the internal control system of the Group in respect of the policy, performance manual including, among other, methodology and judgment of the Management in recording costs of electricity generating plant project in progress.
- Tested the costs of project which increased during the year including, among other, tested the calculation and recording of costs of borrowings as parts of costs of project in progress as well as checked the costs of project as assets in which entered into the conditions in accordance with the financial reporting standards.

***Impairment of property, plant and equipment (Consolidated financial statement)***

As stated in notes 19 to financial statements, the Group has presented the valuation of property, plant and equipment equal to 53.79% of total assets by presenting at the cost less accumulated depreciation, as well as, the Group has additionally invested in such assets during the year. The Management has made a high level of judgments in the forecasting results of operation and future cash inflows to be generated from investments including, among other, determination appropriate of assumptions such as discount rate and long-term growth rate and other appropriate assumptions in assessment of impairment of such investments.

I have obtained on assurance in respect of impairment of property, plant and equipment, by included;

- Obtained an understanding of the control system relating to the gathering significant information of the Management in respect of the consideration processing of financial modelling of recoverable valuation.

- Assessed the assumptions used in forecasting future cash flows of such assets by obtaining an understanding the derivation processing of such amounts, compared such assumptions with the external data and the Group's source of information and checked the forecasted cash flows and the actual results of operation, other information.

### ***Other Information***

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

My opinion on the consolidated and separate financial statements does not cover the other information and I do not and 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 and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

### ***Responsibilities of Management and Those Charged with Governance for the 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 the 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 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 and the Company'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 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.

D I A International Audit Co., Ltd.

(Mr. Nopparoeck Pissanuwong)

C.P.A. (Thailand)

Registration No. 7764

February 26, 2018

THAI POLYCONS PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION

AS AT DECEMBER 31, 2017

ASSETS	Notes	Baht			
		Consolidated financial statements		Separate financial statements	
		2017	2016	2017	2016
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	7	194,198,590.98	273,162,981.98	26,338,350.91	60,800,506.84
Current investments	8	184,891,630.93	391,649,053.67	-	-
Trade accounts receivable and other receivables					
Related parties	5.2, 9.1	-	-	-	-
Other companies	9.1	433,650,272.69	445,875,512.54	205,463,959.42	275,744,320.79
Other current receivables	9.2	180,142,892.80	161,988,772.27	29,409,477.32	38,772,592.39
Unbilled completion works	10	347,115,556.72	380,183,563.13	378,167,197.98	411,484,772.99
Retention receivable	11	762,585.58	68,949,862.90	762,585.58	68,949,862.90
Advance payment for purchase material and construction	12	178,277,170.29	209,963,796.41	176,885,842.53	188,476,551.60
Short-term loans to related parties	5.2	50,000,000.00	50,000,000.00	193,526,273.88	276,410,257.10
Supplies	13	62,471,975.34	44,424,150.00	62,443,880.34	44,424,150.00
Real estate projects under development	14	94,777,955.95	466,230,053.55	-	-
Total current assets		1,726,288,631.28	2,492,427,746.45	1,072,997,567.96	1,365,063,014.61
<b>NON-CURRENT ASSETS</b>					
Restricted bank deposit	15	150,190,601.38	265,166,502.55	120,497,558.58	237,686,729.29
Investments in subsidiaries	16	-	-	423,149,925.00	408,149,925.00
Investments in joint venture	17	496,174,652.10	346,529,524.72	-	-
Investment properties - land	18	270,222,129.65	663,000.00	663,000.00	663,000.00
Property, plant and equipment	19	3,622,086,957.06	2,811,184,507.70	98,056,953.49	92,496,532.45
Other intangible assets	20	12,576,176.77	10,560,219.79	686,896.36	1,001,350.22
Deferred tax assets	36.3	68,720,757.11	74,002,270.93	24,428,020.73	23,883,706.66
Income tax deducted at source		81,760,516.33	90,813,542.80	64,194,162.31	76,961,509.85
Retention receivable		109,659,938.45	73,010,935.86	255,924,678.45	178,513,324.14
Money secured at Legal Execution Department	22.1	69,040,011.94	-	69,040,011.94	-
Advance payments to contractor		50,576,174.91	76,134,340.73	50,576,174.91	63,376,174.91
Advance payment for management fees	5.2	68,558,409.81	45,500,000.00	-	-
Other non-current assets		6,925,261.05	25,531,640.00	4,715,555.00	4,505,455.00
Total non-current assets		5,006,491,586.56	3,819,096,485.08	1,111,932,936.77	1,087,237,707.52
<b>TOTAL ASSETS</b>		6,732,780,217.84	6,311,524,231.53	2,184,930,504.73	2,452,300,722.13

Notes to financial statements are parts of these financial statements.

THAI POLYCONS PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION (Continued)

AS AT DECEMBER 31, 2017

		Baht			
		Consolidated financial statements		Separate financial statements	
		2017	2016	2017	2016
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>Notes</b>				
<b>CURRENT LIABILITIES</b>					
Bank overdrafts and short-term loans					
from financial institutions	21	285,899,425.39	279,421,328.62	285,899,425.39	276,547,816.61
Trade accounts payable and other current payables	22	722,608,386.94	879,440,101.04	474,762,685.25	689,215,808.01
Current portion of long-term loans	26	277,351,000.00	136,680,000.00	-	-
Current portion of liabilities under finance					
lease contract	27	7,226,555.37	5,821,054.51	515,203.82	2,544,274.33
Short-term loans from related parties	5.2	-	-	50,000,000.00	40,000,000.00
Provisions		1,405,433.03	1,205,357.19	-	-
Accrued corporate income tax		17,205.60	179,463.40	-	-
Retention payable	23	207,455,014.31	133,075,998.87	190,025,756.77	146,732,890.37
Advances received under construction contracts	24	247,297,114.29	344,588,236.07	266,460,624.29	478,538,981.34
Unearned revenues under contract to buy and					
to sell	25	2,315,000.00	1,755,000.00	-	-
Total current liabilities		1,751,575,134.93	1,782,166,539.70	1,267,663,695.52	1,633,579,770.66
<b>NON-CURRENT LIABILITIES</b>					
Long-term loans	26	1,686,710,000.00	1,595,185,441.47	-	-
Liabilities under financial lease contract	27	11,268,817.39	6,998,388.11	824,338.78	1,339,542.61
Non-current provisions for employee benefit	28	20,269,807.00	21,791,103.00	14,266,024.00	15,791,609.00
Retention payable	23	1,233,952.61	51,703,157.40	-	-
Total non-current liabilities		1,719,482,577.00	1,675,678,089.98	15,090,362.78	17,131,151.61
<b>Total liabilities</b>		3,471,057,711.93	3,457,844,629.68	1,282,754,058.30	1,650,710,922.27

Notes to financial statements are parts of these financial statements.

THAI POLYCONS PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION (Continued)

AS AT DECEMBER 31, 2017

		บาท			
		งบการเงินรวม		งบการเงินเฉพาะกิจการ	
		2017	2016	2017	2016
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>Notes</b>				
<b>SHAREHOLDERS' EQUITY</b>					
Share capital - Baht 1 each					
Authorized share capital	29				
692,868,493 common shares		692,868,493.00	692,868,493.00	692,868,493.00	692,868,493.00
Issued and paid-up share capital					
566,998,107 common shares		566,998,107.00		566,998,107.00	
566,892,947 common shares			566,892,947.00		566,892,947.00
Premium on share capital		217,779,084.00	217,568,764.00	217,779,084.00	217,568,764.00
Retained earnings (Deficit)					
Appropriated for legal reserve	31	45,948,905.15	18,562,767.41	5,964,012.69	795,417.00
Unappropriated		(620,036,286.34)	(764,240,388.86)	111,435,242.74	16,332,671.86
Other components of equity		1,193,854,417.22	1,193,854,417.22	-	-
Total owners of the Company		1,404,544,227.03	1,232,638,506.77	902,176,446.43	801,589,799.86
Non-controlling interests		1,857,178,278.88	1,621,041,095.08	-	-
Total shareholders' equity		3,261,722,505.91	2,853,679,601.85	902,176,446.43	801,589,799.86
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>6,732,780,217.84</b>	<b>6,311,524,231.53</b>	<b>2,184,930,504.73</b>	<b>2,452,300,722.13</b>

Notes to financial statements are parts of these financial statements.



THAI POLYCONS PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2017

	Notes	Baht			
		Consolidated financial statements		Separate financial statements	
		2017	2016	2017	2016
Revenues from construction services		2,063,653,192.91	1,922,278,870.15	2,508,997,103.82	2,863,401,715.56
Revenues from sales of electric		1,092,675,132.68	658,163,938.34	-	-
Adder subsidy income		-	14,233,404.00	-	-
Revenues from sales of real estate		258,180,000.00	113,800,000.00	-	-
Revenues from sales and services		17,493,565.48	-	-	-
<b>Total revenues</b>		<b>3,432,001,891.07</b>	<b>2,708,476,212.49</b>	<b>2,508,997,103.82</b>	<b>2,863,401,715.56</b>
Cost of construction services		(1,822,641,390.31)	(1,768,540,072.63)	(2,247,171,864.87)	(2,641,377,102.14)
Cost of sales of electric		(580,698,454.30)	(343,050,436.59)	-	-
Cost of sales of real estate		(190,780,668.54)	(86,288,281.44)	-	-
Cost of sales and services		(14,875,338.55)	-	-	-
<b>Total cost</b>		<b>(2,608,995,851.70)</b>	<b>(2,197,878,790.66)</b>	<b>(2,247,171,864.87)</b>	<b>(2,641,377,102.14)</b>
<b>Gross profit</b>		<b>823,006,039.37</b>	<b>510,597,421.83</b>	<b>261,825,238.95</b>	<b>222,024,613.42</b>
Other income		27,998,051.00	55,798,918.14	38,386,680.63	55,815,007.37
<b>Profit before expenses</b>		<b>851,004,090.37</b>	<b>566,396,339.97</b>	<b>300,211,919.58</b>	<b>277,839,620.79</b>
Distribution cost		(18,796,091.22)	(6,800,720.88)	-	-
Administrative expenses		(291,075,279.75)	(252,324,801.45)	(168,519,566.31)	(157,105,132.73)
(Doubtful accounts) Reversal allowance for doubtful accounts		16,490,746.18	7,079,162.74	11,414,689.49	(70,584,193.83)
Gains on changes in investments		(49,770,252.14)	-	-	-
Other expenses		(245,083.87)	-	-	-
Financial cost		(79,862,998.11)	(62,876,035.03)	(16,218,524.76)	(19,970,078.72)
Profit sharing from investments in joint ventures		6,269,051.55	29,834,976.99	-	-
<b>Profit before income tax</b>		<b>434,014,183.01</b>	<b>281,308,922.34</b>	<b>126,888,518.00</b>	<b>30,180,215.51</b>
Income tax (expenses) revenue	34, 36	(18,590,343.97)	16,402,662.64	(23,516,604.24)	(13,920,915.99)
<b>Profit for the year</b>		<b>415,423,839.04</b>	<b>297,711,584.98</b>	<b>103,371,913.76</b>	<b>16,259,299.52</b>

Notes to financial statements are parts of these financial statements.

THAI POLYCONS PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2017

	Notes	Baht			
		Consolidated financial statements		Separate financial statements	
		2017	2016	2017	2016
<b>Other comprehensive income</b>					
Components of other comprehensive income that will not be reclassified to profit or loss					
Gains on remeasurements of defined benefit		3,599,648.00	1,576,459.00	4,293,825.00	1,524,686.00
Income tax of components of other comprehensive income that will not be reclassified to profit or loss		(858,765.00)	(304,937.20)	(858,765.00)	(304,937.20)
Other comprehensive income for the year, net of tax		2,740,883.00	1,271,521.80	3,435,060.00	1,219,748.80
<b>Total comprehensive income for the year</b>		<b>418,164,722.04</b>	<b>298,983,106.78</b>	<b>106,806,973.76</b>	<b>17,479,048.32</b>
<b>Profit attributable to:</b>					
Owners of the Company		175,385,164.45	121,116,881.57	103,371,913.76	16,259,299.52
Non-controlling interests		240,038,674.59	176,594,703.41	-	-
Profit for the year		<b>415,423,839.04</b>	<b>297,711,584.98</b>	<b>103,371,913.76</b>	<b>16,259,299.52</b>
<b>Total comprehensive income attributable to :</b>					
Owners of the Company		178,126,047.45	122,334,403.37	106,806,973.76	17,479,048.32
Non-controlling interests		240,038,674.59	176,594,703.41	-	-
Total comprehensive income for the year		<b>418,164,722.04</b>	<b>298,929,106.78</b>	<b>106,806,973.76</b>	<b>17,479,048.32</b>
<b>Basic earnings per share</b>	32				
Earnings per share		0.31	0.21	0.18	0.03
Number of weighted average of common shares (share)		566,920,786	566,892,623	566,920,786	566,892,623
<b>Diluted earnings per share</b>	32				
Earnings per share		0.29	0.20	0.17	0.03
Number of common shares (share)		609,325,749	594,449,450	609,325,749	594,449,450

Notes to financial statements are parts of these financial statements.

**THAI POLYCONS PUBLIC COMPANY LIMITED AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

		Baht									
		Retained earnings				Other components of equity					
		Issued and		Appropriated		Premium on	Difference from			Total	
Notes		paid-up	Premium on	for legal	Unappropriated	share-based	of investments	Total Other	Total owners of	Non-controlling	
		share capital	share capital	reserve		payments	in subsidiaries	components of equity	the Company	interests	
										shareholders'	
										equity	
Balance as at January 1, 2016		566,892,495.00	381,567,860.00	25,831,764.31	(1,057,843,789.13)	10,208,963.35	1,182,407,550.23	1,192,616,513.58	1,109,064,843.76	1,405,409,305.31	2,514,474,149.07
<b>Changing in shareholders' equity</b>											
Increasing share capital	29.2.1	452.00	904.00	-	-	-	-	-	1,356.00	-	1,356.00
Common share subscription of subsidiaries -											
non-controlling interests		-	-	-	-	-	-	-	-	69,275,070.00	69,275,070.00
Legal reserve	31	-	-	14,481,003.10	(14,481,003.10)	-	-	-	-	-	-
Dividend paid	30	-	-	-	-	-	-	-	-	(29,000,080.00)	(29,000,080.00)
Decreasing deficit	29.2.2	-	(164,000,000.00)	(21,750,000.00)	185,750,000.00	-	-	-	-	0.00	-
Difference from changes proportion of investments in subsidiaries		-	-	-	-	-	1,237,903.64	1,237,903.64	1,237,903.64	(1,237,903.64)	-
Total comprehensive income for the period		-	-	-	122,334,403.37	-	-	-	122,334,403.37	176,594,703.41	298,929,106.78
Total of changing in shareholders' equity		452.00	(163,999,096.00)	(7,268,996.90)	293,603,400.27	-	1,237,903.64	1,237,903.64	123,573,663.01	215,631,789.77	339,205,452.78
Balance as at December 31, 2016		566,892,947.00	217,568,764.00	18,562,767.41	(764,240,388.86)	10,208,963.35	1,183,645,453.87	1,193,854,417.22	1,232,638,506.77	1,621,041,095.08	2,853,679,601.85
Balance as at January 1, 2017		566,892,947.00	217,568,764.00	18,562,767.41	(764,240,388.86)	10,208,963.35	1,183,645,453.87	1,193,854,417.22	1,232,638,506.77	1,621,041,095.08	2,853,679,601.85
<b>Changing in shareholders' equity</b>											
Increasing share capital	29.2.4	105,160.00	210,320.00	-	-	-	-	-	315,480.00	-	315,480.00
Common share subscription of subsidiaries -											
non-controlling interests		-	-	-	-	-	-	-	-	62,387,665.00	62,387,665.00
Decrease share capital from dissolution of subsidiary company											
- non controlling interests		-	-	-	-	-	-	-	-	(3,500,020.00)	(3,500,020.00)
Loss from dissolution of subsidiary company											
- non controlling interests		-	-	-	-	-	-	-	-	218,022.91	218,022.91
Legal reserve	31	-	-	27,386,137.74	(27,386,137.74)	-	-	-	-	-	-
Dividend paid	30	-	-	-	(6,535,807.19)	-	-	-	(6,535,807.19)	(63,007,158.70)	(69,542,965.89)
Total comprehensive income for the period		-	-	-	178,126,047.45	-	-	-	178,126,047.45	240,038,674.59	418,164,722.04
Total of changing in shareholders' equity		105,160.00	210,320.00	27,386,137.74	144,204,102.52	-	-	-	171,905,720.26	236,137,183.80	408,042,904.06
Balance as at December 31, 2017		566,998,107.00	217,779,084.00	45,948,905.15	(620,036,286.34)	10,208,963.35	1,183,645,453.87	1,193,854,417.22	1,404,544,227.03	1,857,178,278.88	3,261,722,505.91

Notes to financial statements are parts of these financial statements.



**THAI POLYCONS PUBLIC COMPANY LIMITED AND SUBSIDIARIES**  
**SEPARATE STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

		Baht				
				Retained earnings	Total	
		Issued and paid-up	Premium on	Appropriated for	shareholders'	
	Notes	share capital	share capital	legal reserve	Unappropriated	equity
Balance as at January 1, 2016		566,892,495.00	381,567,860.00	21,750,000.00	(186,100,959.46)	784,109,395.54
Changing in shareholders' equity						
Increasing share capital	29.2.1	452.00	904.00	-	-	1,356.00
Legal reserve	31	-	-	795,417.00	(795,417.00)	-
Decreasing deficit	29.2.2	-	(164,000,000.00)	(21,750,000.00)	185,750,000.00	-
Total comprehensive income for the period		-	-	-	17,479,048.32	17,479,048.32
Total of changing in shareholders' equity		452.00	(163,999,096.00)	(20,954,583.00)	202,433,631.32	17,480,404.32
Balance as at December 31, 2016		566,892,947.00	217,568,764.00	795,417.00	16,332,671.86	801,589,799.86
Balance as at January 1, 2017		566,892,947.00	217,568,764.00	795,417.00	16,332,671.86	801,589,799.86
Changing in shareholders' equity						
Increasing share capital	29.2.4	105,160.00	210,320.00	-	-	315,480.00
Legal reserve	31	-	-	5,168,595.69	(5,168,595.69)	-
Dividend paid	30	-	-	-	(6,535,807.19)	(6,535,807.19)
Total comprehensive income for the period		-	-	-	106,806,973.76	106,806,973.76
Total of changing in shareholders' equity		105,160.00	210,320.00	5,168,595.69	95,102,570.88	100,586,646.57
Balance as at December 31, 2017		566,998,107.00	217,779,084.00	5,964,012.69	111,435,242.74	902,176,446.43

THAI POLYCONS PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2017

	Baht			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
<b>Cash flows from operating activities</b>				
<b>Profit (Loss) before income tax</b>	434,014,183.01	281,308,922.34	126,888,518.00	30,180,215.51
Adjustments of profit to cash receipt (disbursement) from operating activities				
Depreciation and amortization	109,269,505.57	78,460,585.87	13,010,495.97	18,696,741.80
Doubtful accounts/(Reversal of allowance for doubtful accounts)	(16,490,746.18)	(7,079,162.74)	(11,414,689.49)	70,584,193.83
Loss on devaluation in investments	49,770,252.14	-	-	-
(Gains) Losses on exchange in investments	(529,477.02)	(844,309.83)	-	-
(Gains) Losses on exchange rate	-	2,741,269.52	-	2,741,269.52
Loss on dissolution of subsidiary	245,083.87	-	-	-
(Gains) Losses from selling trading securities	(6,269,051.55)	(29,834,976.99)	-	-
(Profit) Loss sharing from investment in joint ventures	(473,734.32)	(539,685.99)	(953,733.32)	(530,058.28)
(Gain) Losses on disposal of equipment	-	(24,239,610.00)	-	(24,239,610.00)
Bad debt	464,343.25	45,217.95	464,343.25	139,485.91
Write off assets	160,246.07	1,051,422.53	160,246.07	1,051,422.53
Estimated expected losses to be occurs	-	(2,620,854.60)	-	(2,620,854.60)
Estimated contingent loss	5,186,945.14	5,193,445.98	5,186,945.14	5,193,445.98
Allowance for impairment	10,789,749.57	375,221.34	-	-
Write off withholding tax	3,327,204.60	1,206,378.94	1,227,665.79	982,931.71
Employee benefit expenses	3,022,027.00	3,844,830.00	2,278,539.00	2,541,106.00
Dividend income	-	-	(4,966,498.80)	-
Interest expenses	79,862,998.11	62,876,035.03	16,218,524.76	19,970,078.72
<b>Profit (Loss) from operation before changes in operating assets and liabilities</b>	<b>672,349,529.26</b>	<b>371,944,729.35</b>	<b>148,100,356.37</b>	<b>124,690,368.63</b>

Notes to financial statements are parts of these financial statements.

THAI POLYCONS PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2017

	Baht			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
<b>Decrease (Increase) in operating assets</b>				
Trading investments - debt securities	157,516,647.62	309,991,576.96	-	-
Trade accounts receivable - related parties	-	-	(13,910.00)	(1,883.20)
Trade accounts receivable - other companies	(16,054,305.15)	82,776,890.56	42,000,816.37	(27,359,792.65)
Other receivables	(18,347,316.79)	(17,849,545.92)	4,498,627.12	22,807,594.41
Unbilled completed works	42,885,101.75	(90,836,256.61)	43,134,670.35	(70,635,327.14)
Retention receivable	37,893,215.51	58,396,073.20	(2,869,136.21)	7,956,396.92
Advance payment for purchase material and construction	31,610,985.26	(21,694,478.69)	12,252,543.21	(993,917.59)
Supplies	(17,259,392.84)	(2,250,230.15)	(17,231,297.84)	(2,250,230.15)
Properties held for development	102,877,953.49	(12,523,843.36)	-	-
Advance payments to contractor	25,548,165.82	(6,021,886.07)	12,800,000.00	6,736,279.75
Advance payment for management fees	(23,058,409.81)	(8,500,000.00)	-	-
Other non-current assets	(2,033,621.06)	(805,210.62)	(210,100.00)	(964,025.62)
<b>Increase (Decrease) in operating liabilities</b>				
Trade accounts payable	(161,956,138.28)	23,680,617.61	(187,306,476.07)	41,212,037.19
Other payables	8,001,417.92	6,516,214.53	(3,225,937.14)	10,315,414.44
Retention payable	23,909,810.65	14,036,260.65	43,292,866.40	12,417,829.41
Advances received under construction contracts	(97,291,121.78)	11,369,290.69	(212,078,357.05)	(130,916,754.04)
Advance received under contract to buy and to sell	560,000.00	394,000.00	-	-
Employee benefit obligation paid	(1,433,376.00)	(3,114,961.00)	-	(3,114,961.00)
<b>Cash generated (paid) from operation</b>	<b>765,719,145.57</b>	<b>715,509,241.13</b>	<b>(116,855,334.49)</b>	<b>(10,100,970.64)</b>
Interest paid	(79,320,376.21)	(83,255,488.37)	(15,249,186.54)	(22,799,271.39)
Cash received from income tax	36,536,230.18	127,942,310.43	36,536,230.18	126,963,501.99
Income tax paid	(55,930,010.81)	(63,826,978.39)	(49,916,231.74)	(59,460,761.42)
<b>Net cash provided by (used in) operating activities</b>	<b>667,004,988.73</b>	<b>696,369,084.80</b>	<b>(145,484,522.59)</b>	<b>34,602,498.54</b>
<b>Cash flows from investing activities</b>				
Cash received (paid) restricted bank deposits	45,935,889.23	7,331,310.52	48,149,158.77	19,034,065.78
Cash received from current investments	-	1,070,534.64	-	1,070,534.64
Cash paid from current investments	-	(406,459.92)	-	-

Notes to financial statements are parts of these financial statements.

THAI POLYCONS PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2017

	Note	Baht			
		Consolidated financial statements		Separate financial statements	
		2017	2016	2017	2016
<b>Cash flows from investing activities (Continued)</b>					
Cash received from repayment from short-term loans to related parties		-	-	125,926,311.40	200,209,962.05
Cash paid for short-term loans to related parties		(45,920.57)	(50,030,000.00)	(44,915,673.75)	(146,547,143.48)
Cash received from dividend of subsidiaries		-	-	4,966,498.80	-
Cash paid for investments in subsidiary companies		-	-	(15,000,000.00)	(1,999,980.00)
Cash paid for investment - joint venture		(208,126,000.00)	(145,000,000.00)	-	-
Cash received from sales of property, plant and equipment		473,738.32	1,362,442.52	953,738.32	1,310,750.93
Cash paid for purchasing property, plant and equipment		(801,163,909.68)	(973,741,041.90)	(19,124,772.61)	(13,043,773.07)
Cash paid for advance payment for land		0.00	(20,640,000.00)	-	-
Cash paid for purchasing computer software		(2,877,532.00)	-	(67,900.00)	-
<b>Net cash provided by (used in) investing activities</b>		<b>(965,803,734.70)</b>	<b>(1,180,053,214.14)</b>	<b>100,887,360.93</b>	<b>60,034,416.85</b>
<b>Cash flows from financing activities</b>					
Cash received from (Repayments for) bank overdrafts and short-term loans from financial institution		5,998,459.55	(38,045,131.21)	8,871,971.56	(40,918,643.22)
Cash paid short-term loans from related parties		-	-	(40,000,000.00)	(10,000,000.00)
Cash received from long-term loans		511,112,880.00	897,880,441.47	-	-
Cash paid for repayment for long-term loans		(278,917,321.47)	(218,943,999.82)	-	(1,248,000.00)
Cash paid for financial lease liabilities		(8,020,396.96)	(8,752,648.40)	(2,544,274.34)	(5,631,843.83)
Cash received from share subscription of common share and premium on shares		315,480.00	1,356.00	315,480.00	1,356.00
Cash paid for dissolution of subsidiary company - non controlling interests		(3,527,080.96)	-	-	-
Cash received from share subscription of subsidiary companies - non controlling interests		62,387,665.00	69,275,070.00	-	-
Dividend paid		(69,515,330.19)	(29,000,080.00)	(6,508,171.49)	-
<b>Net cash provided by (used in) financing activities</b>		<b>219,834,354.97</b>	<b>672,415,008.04</b>	<b>10,135,005.73</b>	<b>(57,797,131.05)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>(78,964,391.00)</b>	<b>188,730,878.70</b>	<b>(34,462,155.93)</b>	<b>36,839,784.34</b>
<b>Cash and cash equivalents, as at the beginning of period</b>		<b>273,162,981.98</b>	<b>84,432,103.28</b>	<b>60,800,506.84</b>	<b>23,960,722.50</b>
<b>Cash and cash equivalents, as at the end of period</b>	6	<b>194,198,590.98</b>	<b>273,162,981.98</b>	<b>26,338,350.91</b>	<b>60,800,506.84</b>

**THAI POLYCONS PUBLIC COMPANY LIMITED AND SUBSIDIARIES**  
**NOTES TO INTERIM FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

**1. GENERAL INFORMATION**

1.1 Thai Polycons Public Company Limited engages in construction services. The Company was listed on the Stock Exchange of Thailand on March 4, 2009 with the registration No.0107551000037 and the Company's stocks were traded on the MAI (Market for Alternative Investment). Then, the Company's stocks were approved to trade on the SET (Stock Exchange of Thailand) on December 16, 2010. The Company has engaged in construction contractor business

1.2 Thai Polycons Public Company Limited has registered address as follows :

1.2.1 Head office is located at 2, 4 Prasertmanukit Soi 29 Yeak 8, Prasertmanukit Road, Chaorakhehua, Ladprao, Bangkok.

1.2.2 Branch office is located at 140 Kampongbahru Road, Tombon Bangnak, Amphur Muang Narathiwat, Narathiwat Province.

1.2.3 Branch office is located at 106 Moo 10, Naklua Road, Tombon Bana, Amphur Muang Pattani, Pattani Province.

1.2.4 Branch office is located at 74 Moo 5, Tambon Janoung, Amphur Jana, Songkla Province.

**2. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS**

**2.1 Basis of preparation of financial statements**

The financial statements have been prepared in accordance with Thai Financial Reporting Standards (TFRS); guidelines promulgated by the Federation of Accounting Professional ("FAP"), and the Regulation of The Stock Exchange of Thailand (SET) dated 22 January 2001, regarding the preparation and submission of financial statements and reports for the financial position and financial performance of the listed companies B.E. 2544. The format of presentation of the financial statements is not significantly different from the Notification of the Department of Business Development regarding "The Brief Particulars in the Financial Statements (No. 2) B.E. 2559" dated 11 October 2016.

The financial statements have been prepared under the historical cost convention, except as transaction disclosed in related accounting policy.

**2.2 Measurement of fair values**

A number of the Company and subsidiaries' accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company and subsidiaries have an established control framework with respect to the measurement of fair values. This includes a valuation that has overall responsibility for overseeing all significant fair value measurements, including level 3 fair values, and reports directly to CFO.



The valuation regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of TFRS, including the level in the fair value hierarchy in which such valuation should be classified.

When measuring the fair value of an asset or a liability, the Company and subsidiaries use market observable data as fair as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows :

- Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 : inputs other than quoted prices included in Level 1 that are observable for the asset or liabilities, either directly (i.e. as prices) or indirectly (i.e. observable prices).
- Level 3 : inputs are unobservable for the asset or liability.

If the inputs used to measure the fair value of an asset or liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company and subsidiaries recognized transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

### 2.3 Financial reporting standards that will become effective in the future

During the year, the Company and its subsidiaries have adopted the revised financial reporting standards and interpretations (revised 2016) and new accounting treatment guidance which are effective for fiscal years beginning on or after 1 January 2017. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards. The adoption of these financial reporting standards does not have any significant impact on the Company and its subsidiaries' financial statements.

### 2.4 Financial Reporting Standards issued and revised which will be effective in the future

The Federation of Accounting Professions has issued the Notifications regarding Thai Financial Reporting Standards (TFRSs), which are effective for the financial statements for the periods beginning on or after January 1, 2018 onwards, as follows:

<u>Thai Accounting Standards</u>	<u>Contents</u>
TAS 1 (Revised 2017)	Presentation of Financial Statements
TAS 2 (Revised 2017)	Inventories
TAS 7 (Revised 2017)	Statements of Cash Flows
TAS 8 (Revised 2017)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (Revised 2017)	Events after the Reporting Period
TAS 11 (Revised 2017)	Construction Contracts
TAS 12 (Revised 2017)	Income Taxes
TAS 16 (Revised 2017)	Property, Plant and Equipment
TAS 17 (Revised 2017)	Leases
TAS 18 (Revised 2017)	Revenue
TAS 19 (Revised 2017)	Employee Benefits
TAS 20 (Revised 2017)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (Revised 2017)	The Effects of Changes in Foreign Exchange Rates
TAS 23 (Revised 2017)	Borrowing Costs
TAS 24 (Revised 2017)	Related Party Disclosures
TAS 26 (Revised 2017)	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (Revised 2017)	Separate Financial Statements
TAS 28 (Revised 2017)	Investments in Associates and Joint Venture
TAS 29 (Revised 2017)	Financial Reporting in Hyperinflationary Economics
TAS 33 (Revised 2017)	Earnings per Share
TAS 34 (Revised 2017)	Interim Financial Reporting
TAS 36 (Revised 2017)	Impairment of Assets
TAS 37 (Revised 2017)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (Revised 2017)	Intangible Assets
TAS 40 (Revised 2017)	Investment Property
TAS 41 (Revised 2017)	Agriculture
<u>Thai Financial Reporting Standards</u>	<u>Contents</u>
TFRS 2 (Revised 2017)	Share-Based Payments
TFRS 3 (Revised 2017)	Business Combinations
TFRS 4 (Revised 2017)	Insurance Contracts
TFRS 5 (Revised 2017)	Non-current Assets Held for Sale and Discontinued Operations

Thai Financial Reporting Standards

Contents

TFRS 6 (Revised 2017)	Exploration for and Evaluation of Mineral Resources
TFRS 8 (Revised 2017)	Operating Segments
TFRS 10 (Revised 2017)	Consolidated Financial Statements
TFRS 11 (Revised 2017)	Joint Arrangements
TFRS 12 (Revised 2017)	Disclosure of Interests in Other Entities
TFRS 13 (Revised 2017)	Fair Value Measurement
TSIC 10 (Revised 2017)	Government Assistance - No Specific Relation to Operating Activities
TSIC 15 (Revised 2017)	Operating Leases – Incentives
TSIC 25 (Revised 2017)	Income Taxes- Changes in the Tax Status of an Entity or its Shareholders
TSIC 27 (Revised 2017)	Evaluating the Substance of Transactions Involving the Legal form of a Lease
TSIC 29 (Revised 2017)	Service Concession Arrangements: Disclosures
TSIC 31 (Revised 2017)	Revenue - Barter Transactions Involving Advertising Services
TSIC 32 (Revised 2017)	Intangible Assets - Web Site Costs

Thai Financial Reporting Interpretations Committee

TFRIC 1 (Revised 2017)	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRIC 4 (Revised 2017)	Determining Whether an Arrangement Contains a Lease
TFRIC 5 (Revised 2017)	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
TFRIC 7 (Revised 2017)	Applying the Restatement Approach under TAS 29 (Revised 2017) Financial Reporting in Hyperinflationary Economies
TFRIC 10 (Revised 2017)	Interim Financial Reporting and Impairment
TFRIC 12 (Revised 2017)	Service Concession Arrangements
TFRIC 13 (Revised 2017)	Customer Loyalty Programmes
TFRIC 14 (Revised 2017)	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction for TAS 19 (Revised 2017) Employee Benefits
TFRIC 15 (Revised 2017)	Agreements for the Construction of Real Estate
TFRIC 17 (Revised 2017)	Distributions of Non-cash Assets to Owners
TFRIC 18 (Revised 2017)	Transfers of Assets from Customers
TFRIC 20 (Revised 2017)	Stripping Costs in the Production Phase of a Surface Mine
TFRIC 21 (Revised 2017)	Levies

The Company and subsidiaries have no plan to adopt and apply such financial reporting standards before effective date and have expected that there is no material impact to financial statements in the effective period.

### 3. CONSOLIDATED FINANCIAL STATEMENTS PREPARATION BASIS

- 3.1 These financial statements have been consolidated by including the financial statements of subsidiaries in which Thai Polycons Public Company Limited has a power to control such companies. Balances and transactions between the Company and its subsidiaries have been eliminated from the consolidated financial statements. The subsidiaries' financial statements have been taken for consolidation from the date of control until the controllable is terminated. The joint ventures' financial statements have been taken for consolidation under proportionate consolidated method from the date of jointly control until the controllable is terminated.
- 3.2 These consolidated financial statements are prepared with the objective to show the consolidated financial position and the results of operation of Thai Polycons Public Company Limited, its subsidiaries only. The usefulness of these financial statements for other purposes may be limited due to the difference in types of companies consisted in these consolidated financial statements.
- 3.3 The consolidated financial statements consist of the financial statements of Thai Polycons Public Company Limited, a parent company which has shareholding or has significant influence in subsidiaries as follows:

Company name	Activities	Country of incorporation	Percentage of holding by Company or percentage of share of profit in joint ventures	
			2017	2016
<b><u>Subsidiaries</u></b>				
TPC ASSET Co., Ltd.	Property development	Thailand	99.99	99.99
TPC Bangkok Supply Co., Ltd.	Treading business	Thailand	99.99	99.99
TPC Power Holding Plc.	Investment in energy business	Thailand	41.26	41.26
Thai Polycons and Leam thong Phatthalung Joint venture	Construction contractor	Thailand	99.95	99.95
TPCI Joint Ventures	Construction contractor	Thailand	99.00	99.00
<b><u>Subsidiaries of TPC Power Holding Plc.</u></b>				
Chang Raek Bio Power Co., Ltd.	Electricity production and trading	Thailand	73.12	73.12
Thungsung Green Co., Ltd.	Electricity production and trading	Thailand	65.00	65.00
Pattani Green Co., Ltd.	Electricity production and trading	Thailand	65.00	65.00
Phatthalung Green Power Co., Ltd.	Electricity production and trading	Thailand	60.00	60.00
Satun Green Power Co., Ltd.	Electricity production and trading	Thailand	51.00	51.00
Maewong Energy Co., Ltd.	Electricity production and trading	Thailand	85.00	85.00
TPCH Power 1 Co., Ltd.	Electricity production and trading	Thailand	65.00	65.00
TPCH Power 2 Co., Ltd.	Electricity production and trading	Thailand	65.00	65.00
TPCH Power 3 Co., Ltd.	Electricity production and trading	Thailand	-	65.00
TPCH Power 4 Co., Ltd.	Electricity production and trading	Thailand	-	65.00
TPCH Power 5 Co., Ltd.	Electricity production and trading	Thailand	65.00	65.00
TPCH Power 6 Co., Ltd.	Electricity production and trading	Thailand	99.99	-
TPCH Power 7 Co., Ltd.	Electricity production and trading	Thailand	99.99	-
TPCH Power 8 Co., Ltd.	Electricity production and trading	Thailand	99.99	-
<b><u>Subsidiaries of TPC Bangkok Supply Co., Ltd.</u></b>				
TPCESG Joint Ventures	Sell and services	Thailand	80.00	80.00

#### 4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements of the Company and subsidiaries are as follows:

##### 4.1 Revenue and expense recognition

4.1.1 The Group recognized revenues from construction contract on a percentage of completion, is measured based on proportion of actual construction costs incurred for work performed to the end of period relative to the estimated total contract costs. When the loss incurred from contract revenues recognized in the fiscal period, the provision for loss on construction contract is provided immediately. The excess of contract revenues is presented in statements of financial position under the caption of “Unbilled completed works”.

4.1.2 The Group has recognized revenues from sales when the goods are delivered, the significant risks and rewards of ownership have been transferred to the buyer.

4.1.3 The Subsidiary company recognized revenues from sales of land with its construction as income in total whenever the significant risk and rewards of assets have been transferred to the buyer.

4.1.4 The Subsidiary company has recognized revenues from services when service is completely rendered to customer.

4.1.5 Construction costs include direct materials, direct labor and construction overheads. Other and administrative expenses are charged to the statements of comprehensive income as incurred.

4.1.6 The Group other income and expenses are recognized on an accrual basis.

##### 4.2 Cash and cash equivalents

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

Deposits at financial institutions that are restricted in use are presented as “Restricted bank deposits” under non-current assets in the statements of financial position.

##### 4.3 Current investments

4.3.1 Current investment classified as investment in securities-available-for-sales is stated at fair value. Group of company record changing from investment revaluation as at the financial statement date as unrealized gain or loss in other comprehensive income in and accumulated amount in shareholder’s equity until securities are sold. Changing in value will be recognized in profit and loss.

4.3.2 Current investment classified as investment in trading securities is stated at fair value. Group of company record changing from investment revaluation as at financial statement date as gain or loss in statement of income.

4.3.3 Fair value of securities for trading and available-for-sale securities is determined by using Net Assets Value (NAV) as enacted at the reporting date.

4.3.4 FIFO method is calculated for cost of investment in the group company.

#### 4.4 Trade accounts receivable and other receivables

Trade accounts receivable and other receivables are carried at original invoice amount less allowance for doubtful accounts based on a review of all outstanding amounts at the year end. The amount of the allowance is to the difference between the carrying value of the receivable and the amount expected to be collectible. Bad debts incurred during the period will be written-off as expense when it can be identified.

#### 4.5 Supplies

Supplies are stated at the lower of cost or net realizable value. Cost is determined by the First-In, First-Out (FIFO) method. The Group records provision for slow-moving, obsolete or defective supplies.

#### 4.6 Real estate projects under development

Real estate projects under development are those properties which are held with the intention of development and sale in the ordinary course of business. They are stated at the lower of cost or estimated net realisable value.

Net realizable value represents the estimated selling price less costs to be incurred in selling the properties.

The cost of real estate projects under development comprises specifically identified costs, including acquisition costs, development expenditure, borrowing costs and other related expenditure. Borrowing costs payable on loans funding a development property are capitalized, on a specific identification basis, as part of the cost of the development property until the completion of development.

#### 4.7 Investment in subsidiaries

Subsidiary, which are those entities in which the Group of company has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations are consolidated. Subsidiary are consolidated from the date on which control is transferred to the Company and are no longer consolidated from the date that control ceases. All inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated; unrealized losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies of subsidiary have been changed to ensure consistency with the policies adopted by the Group of company. Investments in subsidiaries are reported by using the cost method of accounting in the separate financial statements. Investments in subsidiaries in separate financial statements using the equity method, net of allowance for impairment (if any).

#### 4.8 Investment in joint venture

The Company's interest in jointly controlled entities in the consolidated financial statements using the equity method which included share of profit or loss and other comprehensive income of the jointly controlled entity from the joint control date until the joint control is ceased, if the share of losses of jointly controlled entities, where the Group has recognized exceeds the value of investments in jointly controlled entities. The Investment value will be reduced to zero, and stopped the recognition of losses. Unless, the company has a legal obligation or commitment of inference. The Company recognized additional loss as liabilities.

Investments in jointly controlled entities in the consolidated financial statements using the equity method, net of allowance for impairment (if any).

#### 4.9 Investment properties

Investment properties are properties held by the Company as the owner or by the lessee under a finance lease to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes or sales in the ordinary course of business.

#### 4.10 Property, plant and equipment

Building and equipment are stated at cost less accumulated depreciation, except for land, is stated at cost less allowance for impairment (if any).

Depreciation of plant and equipment is calculated on the straight-line method over their estimated useful lives are as follows :

	Number of Years
Land improvements	5
Buildings	20 - 30
Buildings improvements	5
Infrastructure	5
Tools and equipment	5
Machinery	15 - 25
Fixtures and office equipment	3 - 5
Vehicles	5

Land - earthen ponds, the Company amortized according to the soil amount that excavated.

When assets are sold or retired, the Group will eliminated their costs and accumulated depreciation from the accounts and any gain or loss resulting from their disposal is included in the statements of comprehensive income.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Estimated recoverable amount is the higher of the anticipated discounted cash flows from the continuing use of the asset and the amount obtainable from the sale of the asset less any costs of disposal.

Repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Company. Major renovations are depreciated over the remaining useful life of the related asset.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in profit from operation.

Work in progress are stated at cost. These assets are not depreciated until such time as the relevant assets are completed and ready for their intended use.

Interest costs on borrowings to finance the construction of property, plant and equipment are capitalised as part of cost of the asset, during the period of time required to complete and prepare the property for its intended use. The borrowing costs include interest on borrowings.

#### 4.11 Land held for development

Land held for development are stated at cost less allowance for impairment of assets (if any). Costs included of cost of land and development costs.

#### 4.12 Other intangible assets

4.12.1 Other intangible assets with the certain useful life are stated at cost less accumulated amortization and allowance for impairment (if any) which will be amortized on a straight-line method over the estimated useful life as follows :

	Number of Years
Computer software	5

4.12.2 Goodwill arising on an acquisition of a business or subsidiary is recognized as intangible assets. Goodwill is initially recognized and is subsequently measured at cost less any accumulated impairment losses.

#### 4.13 Impairment of assets

The Group of company has reviewed the impairment of assets whenever events or changes in circumstances indicate that the recoverable amount of assets is below the carrying amount (the higher of an assets selling price or value in use). The review is made for individual assets or the cash generating unit.

In case that the carrying value of an asset exceeds its recoverable amount, the Group of company recognizes the impairment losses in the statements of comprehensive income. The reversal of impairment losses recognized in prior years is recorded as other income when there is an indication that the impairment losses recognized for the assets no longer exist or are decreased.

#### 4.14 Foreign currency transactions

Foreign currency transactions are translated into Thai Baht using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated to Thai Baht at the exchange rate prevailing at the statements of financial position date. Gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognized immediately in the statement of comprehensive income.



#### 4.15 Long-term leases

Leases of assets which substantially transfer all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated to the principal and to the finance charges so as to achieve a constant rate on the finance balance outstanding. The outstanding rental obligations, net of finance charges, are included in long-term debt.

The interest element of the finance cost is charged to the statement of comprehensive income over the lease period. The property, plant or equipment acquired under finance leases is depreciated over the useful life of the asset.

Long-term leases not transferring a significant portion of the risks and rewards of ownership to the lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

#### 4.16 Financial instruments

Financial assets presented in the statements of financial position include cash and cash equivalents, trade accounts receivable, short-term loan and retention receivable. Financial liabilities presented in the statements of financial position include bank overdraft and short-term loan from financial institution, trade accounts payable and other payables, finance lease liabilities, and retention payable. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. The Company and its subsidiaries have not adopted any derivative strategies to manage the interest rates.

#### 4.17 Accounting estimates

Preparation of financial statements in conformity with the financial reporting standards is required the management to make certain estimation and assumption which affected the amounts in the financial statements and notes related thereto. Consequent actual results may differ from these estimates.

#### 4.18 Provisions

Provisions are recognised when the Group of company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group of company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

#### 4.19 Related parties

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Company, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personal, including directors and officers of the Company and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

In considering each possible related party relationship, attention is directed to the substance of the relationship, more than the legal form.

#### 4.20 Provident fund and Employee benefits

##### 4.20.1 Provident fund

The Company and subsidiaries have established provident fund under the defined contribution plan. The fund's assets are separated entities which are administered by the outsider fund manager. The Company and employees made contribution into such provident fund. The Company's contribution payments to the provident fund were recorded as expenses in the statements of comprehensive income in the period in which they are incurred.

##### 4.20.2 Employee benefit obligations

The Company and subsidiaries have commitments to record post-employment benefits in the financial statements by using Project Unit Credit Method calculated by the actuary.

##### 4.20.3 Share based payment by equity securities

The Company and subsidiaries recognised share based payment transaction when it obtains the service rendering at the fair value of the equity instruments granted at the grant date and recorded as expenses based on the services period as determined. Reserve for share based payment is recognized in the shareholders' equity.

#### 4.21 Income tax

Income tax expense for the year comprises current income tax and deferred tax.

##### 4.21.1 Current tax

The Company and subsidiaries recorded current income tax provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

#### 4.21.2 Deferred tax

The Company and subsidiaries recorded deferred tax provided on temporary differences between their carrying amounts at the end of each reporting period and the tax bases of assets and liabilities by using the tax rates enacted at the end of the reporting period.

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.
- Deferred tax assets are recognized for all deductible temporary differences and carry forward of unused tax losses, to the extent that it is probable that the Company and subsidiaries will have future taxable profit available against which the deductible temporary differences, and the carry forward of unused tax losses can be utilized except:
  - Where the deferred tax assets relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
  - In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed by the Company and subsidiaries at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Moreover, unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered. The Company and subsidiaries recognized deferred tax directly to shareholders' equity, except to the extent that it relates to items recognized in other comprehensive income or directly in equity.

## 5. TRANSACTIONS WITH RELATED PARTIES

### 5.1 Relationships and pricing policies

	Relationships
TPC Asset Co., Ltd.	Shareholding and directorship
TPC Bangkok Supply Co., Ltd.	Shareholding and directorship
TPC Power Holding Plc.	Shareholding and directorship
Chang Raek Bio Power Co., Ltd.	Shareholding by TPC Power Holding Plc. and directorship
Thungsung Green Co., Ltd.	Shareholding by TPC Power Holding Plc. and directorship
Pattani Green Co., Ltd.	Shareholding by TPC Power Holding Plc. and directorship
Phatthalung Green Power Co., Ltd.	Shareholding by TPC Power Holding Plc. and directorship
Satun Green Power Co., Ltd.	Shareholding by TPC Power Holding Plc. and directorship
Maewong Energy Co., Ltd.	Shareholding by TPC Power Holding Plc. and directorship
TPCH Power 1 Co., Ltd.	Shareholding by TPC Power Holding Plc. and directorship
TPCH Power 2 Co., Ltd.	Shareholding by TPC Power Holding Plc. and directorship
TPCH Power 3 Co., Ltd.	Shareholding by TPC Power Holding Plc. and directorship
TPCH Power 4 Co., Ltd.	Shareholding by TPC Power Holding Plc. and directorship
TPCH Power 5 Co., Ltd.	Shareholding by TPC Power Holding Plc. and directorship
TPCH Power 6 Co., Ltd.	Shareholding by TPC Power Holding Plc. and directorship
TPCH Power 7 Co., Ltd.	Shareholding by TPC Power Holding Plc. and directorship
TPCH Power 8 Co., Ltd.	Shareholding by TPC Power Holding Plc. and directorship
Thai Polycons and Leam thong Phatthalung Joint venture	Joint venture and directorship
TPCI Joint Ventures	Joint venture and directorship
TPCESG Joint Ventures	Joint venture and directorship
Thai Polycons P.S.M. Joint Ventures	Joint venture and directorship
SLTT Joint Ventures	Joint venture and directorship
Mahachai Green Power Co., Ltd.	Shareholding by TPC Power Holding Plc. and directorship
PA Waste and Energy Co., Ltd.	Shareholding and directorship by TPC Power Holding Plc.
Siam Power Co., Ltd.	Shareholding and directorship by TPC Power Holding Plc.
VSPP Consultant Co., Ltd.	Shareholder of Chang Raek Bio Power Company Limited at 16.87% shareholding
Carbon Bw (Thailand) Co., Ltd.	Shareholder of Chang Raek Bio Power Company Limited at 10% shareholding Thugsung Green Company Limited at 35% shareholding and Mahachai Green Power Company Limited at 46% shareholding
NC Coconut Co., Ltd.	Shareholder of Mahachai Green Power Company Limited at 3% shareholding
Suntech Engineering and Energy Co., Ltd.	Common directorship with Green electricity plant Company Limited which is shareholder in subsidiaries such as Maewong Energy Company Limited at 10% and Pattani Green Company Limited at 10%.

Relationships and pricing policies (Continued)

	Relationships
Green power plant Co., Ltd.	Shareholder of Pattani Green Company Limited at 10% shareholding and Maewong Energy Company Limited at 10% shareholding and Satun Green Power Co., Ltd. at 9% shareholding
Sun Ray Power and engineering Co., Ltd.	Jointly directors with of the Company with Green electricity plant, which is a shareholder Pattani Green Co., Ltd of 10 percent.
Coco FMC Fuel Co., Ltd.	Common shareholder with NC Coconut Co., Ltd., and be shareholder of Mahachai Green Power Company Limited at 3 percent.
Green Power Producer Group Co., Ltd.	Director is a shareholder of Mahachai Green Power Company Limited
Stemwise Energy Management Co., Ltd.	Common shareholder with Phatthalung Green Power Co., Ltd., and Satun Green Power Co., Ltd.
Wood Work Energy Co., Ltd.	Common Director and shareholder of Phatthalung Green Power Co., Ltd. , Satun Green Power Co., Ltd. and TPCP Power 6
Mr. Chainarong Chanpalangsri	Director and shareholder of company
Mrs. Kanoktip Chanpalangsri	Director and shareholder of company
Mr. Sombat Chairattananakorn	shareholder of subsidiaries as follows
	1. TPCP Power 1 Co., Ltd.
	2. TPCP Power 2 Co., Ltd.
	3. TPCP Power 5 Co., Ltd.
	4. Naraphara Co., Ltd. Shareholder of Pattani Green Co., Ltd.
	Pricing policy
Loan to	Interest rate 5.00-7.00% per annum
Loan from	Interest rate 5.00% per annum
Revenues from construction services	At agreed price
Revenues from sale	At agreed price
Revenue from management fee	At agreed price
Equipment rental income	Normal prices of business closed to the price charged to other parties
Rental income	Rental space agreement Baht 220.00 - 231.53 per square wah.
Construction material	At agreed price
Hire of service contract	At agreed price

## 5.2 Balances of transactions with related parties

Balances of transactions with related parties as at December 31, 2017 and 2016 are as follows:

	Baht			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
<b>Trade accounts receivable</b>				
Thai Polycons and Leam thong				
Phatthalung Joint Ventures	-	-	2,451,356.47	2,451,356.47
TPCI Joint Ventures	-	-	31,381,927.20	31,368,017.20
Total	-	-	33,833,283.67	33,819,373.67
<u>Less</u> Allowance for doubtful accounts	-	-	(33,833,283.67)	(33,819,373.67)
Net	-	-	-	-
<b>Other receivables</b>				
TPC ASSET Co., Ltd.	-	-	76,039.40	22,949.20
TPC Bangkok Supply Co., Ltd.	-	-	70,836.76	97,853.58
TPC Power Holding Plc.	-	-	82,198.61	79,523.60
Thungsung Green Co., Ltd.	-	-	-	21,400.00
Phatthalung Green Power Co., Ltd.	-	-	21,100.00	-
TPCI Joint Ventures	-	-	42,452.73	2,823.50
TPCH Power 6 Co., Ltd.	-	-	34,106.25	-
Suntech Engineering and Energy Co., Ltd.	2,094,645.43	-	-	-
Stemwise Energy Management Co., Ltd.	398,794.00	-	-	-
Total	2,493,439.43	-	326,733.75	224,549.88
<b>Retention receivable</b>				
Thungsung Green Co., Ltd.	-	-	31,330,000.00	61,292,700.00
Phatthalung Green Power Co., Ltd.	-	-	63,420,196.00	45,629,324.80
Satun Green Power Co., Ltd.	-	-	58,514,400.00	21,056,807.40
Siam Power Co., Ltd.	-	1,419,636.51	-	-
Total	-	1,419,636.51	153,264,596.00	127,978,832.20
<b>Short-term loans to</b>				
TPC ASSET Co., Ltd.	-	-	158,350,000.00	222,550,000.00
TPC Bangkok Supply Co., Ltd.	-	-	3,000,000.00	18,500,000.00
Thai Polycons and Leam thong Phatthalung				
Joint Ventures	-	-	40,568,055.17	38,740,630.17
Thai Polycons P.S.M. Joint Ventures	1,166,674.08	1,120,753.51	1,166,674.08	1,120,753.51
TPCI Joint Ventures	-	-	32,176,273.88	35,360,257.10
Mahachai Green Power Co., Ltd.	50,000,000.00	50,000,000.00	-	-
Total	51,166,674.08	51,120,753.51	235,261,003.13	316,271,640.78
<u>Less</u> Allowance for doubtful accounts	(1,166,674.08)	(1,120,753.51)	(41,734,729.25)	(39,861,383.68)
Net	50,000,000.00	50,000,000.00	193,526,273.88	276,410,257.10

The movements of short-term loans to related parties for the year ended December 31, 2017 are as follows:

	Baht			
	Balance	Movement		Balance
	December 31, 2016	Increase	Decrease	December 31, 2017
<b><u>Consolidated financial statements</u></b>				
Thai Polycons P.S.M. Joint Ventures	1,120,753.51	84,720.57	(38,800.00)	1,166,674.08
Mahachai Green Power Co., Ltd.	50,000,000.00	-	-	50,000,000.00
Total	51,120,753.51	84,720.57	(38,800.00)	51,166,674.08
<u>Less</u> Allowance for doubtful accounts	(1,120,753.51)	(45,920.57)	-	(1,166,674.08)
Net	50,000,000.00	38,800.00	(38,800.00)	50,000,000.00
<b><u>Separate financial statements</u></b>				
TPC ASSET Co., Ltd.	222,550,000.00	4,000,000.00	(68,200,000.00)	158,350,000.00
TPC Bangkok Supply Co., Ltd.	18,500,000.00	8,100,000.00	(23,600,000.00)	3,000,000.00
Thai Polycons and Leam thong Phatthalung				
Joint Ventures	38,740,630.17	1,827,425.00	-	40,568,055.17
Thai Polycons P.S.M. Joint Ventures	1,120,753.51	84,720.57	(38,800.00)	1,166,674.08
TPCI Joint Ventures	35,360,257.10	30,903,528.18	(34,087,511.40)	32,176,273.88
Total	316,271,640.78	44,915,673.75	(125,926,311.40)	235,261,003.13
<u>Less</u> Allowance for doubtful accounts	(39,861,383.68)	(1,873,345.57)	-	(41,734,729.25)
Net	276,410,257.10	43,042,328.18	(125,926,311.40)	193,526,273.88
<b><u>Unbilled completion works</u></b>				
Phathalung Green Power Co., Ltd.	-	-	3,952,413.99	31,368,017.20
Satun Green Power Co., Ltd.	-	-	23,382,782.84	-
Pattani Green Power Co., Ltd.	-	-	3,772,346.44	-
Total	-	-	31,107,543.27	31,368,017.20

	Baht			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
<b>Accrued interest income</b>				
TPC ASSET Co., Ltd.	-	-	13,150.69	6,699,978.24
TPC Bangkok Supply Co., Ltd.	-	-	8,219.16	437,295.07
Thai Polycons and Leam thong Phatthalung				
Joint Ventures	-	-	8,615,359.01	5,103,352.73
Thai Polycons P.S.M. Joint Ventures	100,639.59	80,720.67	100,639.59	80,720.67
TPCI Joint Ventures	-	-	55,537.13	-
Total	100,639.59	80,720.67	8,792,905.58	12,321,346.71
<u>Less</u> Allowance for doubtful accounts	(100,639.59)	(80,720.67)	(8,715,998.60)	(5,184,073.40)
Net	-	-	76,906.98	7,137,273.31
<b>Advance payment for inventories and assets</b>				
Sunray Power and engineering Co., Ltd.	1,921,987.50	12,203,268.75	1,921,987.50	12,203,268.75
Suntech Engineering and Energy Co., Ltd.	1,434,807.75	40,621,273.00	1,434,807.75	40,621,273.00
Green power plant Co., Ltd.	-	677,737.50	-	677,737.50
Total	3,356,795.25	53,502,279.25	3,356,795.25	53,502,279.25
<b>Advance payment for management fee</b>				
VSPP Consultant Co., Ltd.	27,000,000.00	27,000,000.00	-	-
Green power plant Co., Ltd.	18,500,000.00	18,500,000.00	-	-
Stemwise Energy Management Co., Ltd.	18,500,000.00	-	-	-
Total	64,000,000.00	45,500,000.00	-	-

On July 10, 2014, Chang Raek Bio Power Company Limited, a subsidiary, agreed to engage VSPP Consultant Company Limited a shareholder of such subsidiary as an electricity machines runner and maintenance of electricity plants for the period of 5 years, commenced July 1, 2014 to September 30, 2019 with the wages at the rate of 44.75% of net electricity income (Revenue from selling electricity including Adder and FT less collection fee). On November 7, 2016, the management fee was charged at Baht 1.68 per unit of selling which was effective from March 11, 2016 to December 31, 2016 and the management fee is charged at Baht 1.76 since January 1, 2017 until the end of the agreement. The Company agreed to pay the hiring in advance according to the contract in the amount of Baht 18,500,000.00 which it will be refunded to the Company when the contract is maturity and no renewed. The refund will be refunded to the Company in 5 installments before the contract ended 3 months and after the contract ended 2 months.

On July 24, 2015, Maewong Energy Company Limited, a subsidiary, entered into agreement to hire Green electricity plant Company Limited for running machines and maintenance of electricity plants attached to agreement with the wage rate of Baht 1.75 per unit for the period of 1 year since the agreement date and agreed to pay the wage in advance in the amount of Baht 18,500,000.00 for reserving as fuel fee and expenses for running machines. The wage payment in advance will be returned when the maturity of engagement by making through 5 instalments commencing from the 3 months before maturity to the 2 months after termination of agreement. On May 9, 2017, Maewong Energy Company Limited, entered into memorandum agreement attached in hiring for running machines contract no.3 by adjusting wage rate to Baht 2.35 per unit effective on February 1, 2017 and ended on January 31, 2018.



On March 24, 2016, Phattlung Green Power Co., Ltd., a subsidiary, agreed to hire Stemwise Energy Management Co., Ltd. to operate and maintain machine Baht 2.00 per unit of units sold until the day that electricity guarantee performance test is approved by charging in Year 1 Baht 1.4293 per unit, Year 2 Baht 1.4371 per unit, Year 3 Baht 1.4451 per unit, Year 4 Baht 1.4535 per unit and Year 5 Baht 1.4623 per unit.

On September 20, 2016, Thunsung Green Company Limited, a subsidiary, has agreed to hire VSPP Consultant Company Limited to operate and maintain machine in the electricity plant at the rate Baht 2.00 per unit of the number of hired unit until Provincial Electricity Authority has guarantee performance test and at the rate Baht 1.68 per unit after the date the electricity plant has been passed performance test or the other commencing day mutually agreed. The Company agreed to pay the hiring in advance according to the contract in the amount of Baht 8,500,000.00 which it will be refunded to the Company when the contract is maturity and no renewed. The refund will be refunded to the Company in 5 installments before the contract ended 3 months and after the contract ended 2 months.

	Baht			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
<b>Trade accounts payable</b>				
TPC Bangkok Supply Co., Ltd.	-	-	5,668,655.68	1,691,357.51
VSPP Consultant Co., Ltd.	45,324,648.40	47,631,371.43	-	-
Sunray Power and engineering Co., Ltd.	15,949,872.08	15,828,301.35	15,949,872.08	15,828,301.35
Green power plant Co., Ltd.	27,355,340.57	19,250,303.20	2,175,537.38	-
Suntech Engineering and Energy Co., Ltd.	10,654,482.20	60,204,679.93	10,654,482.20	60,204,679.93
Stemwise Energy Management Co., Ltd.	26,189,086.74	-	-	-
Total	125,473,429.99	142,914,655.91	34,448,547.34	77,724,338.79
<b>Payable for Property Purchase</b>				
Green power plant Co., Ltd.	1,712,000.00	-	-	-
<b>Land payable</b>				
Mr. Sombat Chairattananakorn	81,586,437.50	-	-	-
<b>Retention payable</b>				
Sunray Power and engineering Co., Ltd.	9,249,705.00	5,475,100.00	9,249,705.00	5,475,100.00
Suntech Engineering and Energy Co., Ltd.	14,372,207.85	3,447,675.00	14,372,207.85	3,447,675.00
Total	23,621,912.85	8,922,775.00	23,621,912.85	8,922,775.00
<b>Short-term loans</b>				
TPC Power Holding Plc.	-	-	50,000,000.00	40,000,000.00

The movements of short-term loans to related parties for the year ended December 31, 2017 are as follows:

	Baht			
	Balance	Movement		Balance
	December 31, 2016	Increase	Decrease	December 31, 2017
<b><u>Separate financial statements</u></b>				
TPC Power Holding Plc.	40,000,000.00	50,000,000.00	40,000,000.00	50,000,000.00

	Baht			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
<b>Advances received under construction contracts</b>				
Thungsung Green Co., Ltd.	-	-	-	6,842,635.19
Phatthalung Green Power Co., Ltd.	-	-	3,449,510.00	47,926,688.00
Satun Green Power Co., Ltd.	-	-	15,714,000.00	111,944,859.79
Siam Power Co., Ltd.	-	15,241,090.47	-	-
Total	-	15,241,090.47	19,163,510.00	166,714,182.98

### 5.3 Revenues and expenses with related parties

Transaction with related parties for the year ended December 31, 2017 and 2016 are as follows:

	Baht			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
<b>Revenues from construction services</b>				
Thungsung Green Co., Ltd.	-	-	19,647,385.19	256,323,075.48
Phatthalung Green Power Co., Ltd.	-	-	150,563,593.46	487,688,957.86
Satun Green Power Co., Ltd.	-	-	400,562,040.04	207,981,195.03
Pattani Green Power Co., Ltd.	-	-	3,773,342.56	-
Mahachai Green Power Co., Ltd.	-	3,735,008.41	-	3,735,008.41
Total	-	3,735,008.41	574,546,361.25	955,728,236.78
<b>Rental income</b>				
TPC ASSET Co., Ltd.	-	-	2,336.45	5,607.48
TPC Power Holding Plc.	-	-	297,284.52	238,087.55
Thungsung Green Co., Ltd.	-	-	20,000.00	120,000.00
TPCI Joint Ventures	-	-	-	1,760.00
Total	-	-	319,620.97	365,455.03

	Baht			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
<b>Revenue from operation</b>				
Satun Green Power Co., Ltd.	-	-	-	200,000.00
Pattani Green Power Co., Ltd.	-	-	280,000.00	210,000.00
Total	-	-	280,000.00	410,000.00
<b>Other income</b>				
TPC ASSET Co., Ltd.	-	-	4,818.69	-
TPC Power Holding Plc.	-	-	482,499.00	206,600.00
Phatthalung Green Power Co., Ltd.	-	-	500,000.00	-
TPCH Power 6 Co., Ltd.	-	-	31,875.00	-
Sun Ray Power and engineering Co., Ltd.	-	479,248.41	-	479,248.41
Suntech Engineering and Energy Co., Ltd.	-	523,617.69	-	523,617.69
Mahachai Green Power Co., Ltd.	120,000.00	-	-	-
Total	120,000.00	1,002,866.10	1,019,192.69	1,209,466.10
<b>Interest income</b>				
TPC ASSET Co., Ltd.	-	-	10,477,116.42	10,798,606.53
TPC Bangkok Supply Co., Ltd.	-	-	664,966.19	437,295.07
Thai Polycons and Leam thong Phatthalung Joint Ventures	-	-	3,512,006.28	1,787,435.46
Thai Polycons P.S.M. Joint Ventures	100,639.59	58,732.35	100,639.59	58,732.35
TPCI Joint Ventures	-	-	2,619,518.04	2,667,544.95
T Poly-HRC Joint Ventures	-	-	-	-
Mahachai Green Power Co., Ltd.	2,375,000.01	1,565,547.94	-	-
Total	2,475,639.60	1,624,280.29	17,374,246.52	4,951,007.83
<b>Dividend income</b>				
TPC Power Holding Plc.	-	-	4,966,498.80	-
<b>Construction material</b>				
TPC Bangkok Supply Co., Ltd.	-	-	20,022,279.47	-
<b>Hire of service contract</b>				
Sun Ray Power and engineering Co., Ltd.	105,767,655.00	101,745,895.00	66,754,305.00	101,745,895.00
Suntech Engineering and Energy Co., Ltd.	264,098,800.00	166,545,687.00	156,745,862.00	166,545,687.00
Green power plant Co., Ltd.	5,241,169.99	76,286,133.00	2,710,950.00	76,286,133.00
Total	375,107,624.99	344,577,715.00	226,211,117.00	344,577,715.00

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	Baht			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
<b>Electricity plant consultant and management fee</b>				
VSPP Consultant Co., Ltd.	267,647,226.08	155,200,368.52	-	-
Green power plant Co., Ltd.	148,958,151.50	114,056,547.00	-	-
Stemwise Energy Management Co., Ltd.	60,600,438.00	-	-	-
Total	477,205,815.58	269,256,915.52	-	-
<b>Interest expense</b>				
TPC Power Holding Plc.	-	-	1,356,155.38	2,253,424.65

## 6. ADDITIONAL INFORMATION OF CASH FLOWS

### CASH AND CASH EQUIVALENTS

	Baht			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Cash	551,528.50	700,067.25	346,113.00	518,742.50
Current deposits	21,132,457.96	20,012,669.80	17,085,599.45	17,569,174.24
Saving deposits	172,514,604.52	252,437,834.03	8,906,638.46	42,712,590.10
Fixed deposit	-	12,410.90	-	-
Total	194,198,590.98	273,162,981.98	26,338,350.91	60,800,506.84

### 6.2. NON-CASH TRANSACTIONS

#### 6.2.1 For the year ended December 31, 2017

- 6.2.1.1 The Company has transferred restricted bank deposit to money secured at Legal Execution Department amount of Baht 69.04 million for consolidated financial statements and separate financial statements.
- 6.2.1.2 The Company writes off allowance for doubtful accounts amount of Baht 16.54 million with unbilled completion works and retention payable for consolidated financial statements and separate financial statements
- 6.2.1.3 The subsidiaries purchased assets under finance lease contract amount of Baht 13.67 million for the consolidated financial statements
- 6.2.1.4 The subsidiaries transferred advance payment to be land amount of Baht 21.39 million for consolidated financial statements
- 6.2.1.5 The Company and subsidiaries purchased fixed assets amount of Baht 86.59 million for the consolidated financial statements and The company purchased fixed assets amount of Baht 3.84 million for separate financial statements by credit recorded as other payables.

6.2.1.6 The Company transferred real estate projects under development to investment properties- land Baht 269.56 million for the consolidated financial statements.

6.2.2 For the year ended December 31, 2016

6.2.2.1 For the year ended December 31, 2016, the Company and subsidiaries purchased assets amount of Baht 10.11 million and transferred advance payment for land of Baht 49.94 million to cost of real estate projects under development for Consolidated financial statements. the Company purchased assets amount of Baht 1.50 million by credit for separate financial statements.

6.2.2.2 The Company purchased assets by credit for the separate financial statements.

## 7. CASH AND CASH EQUIVALENTS

	Baht			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Cash	551,528.50	700,067.25	346,113.00	518,742.50
Current deposits	21,132,457.96	20,012,669.80	17,085,599.45	17,569,174.24
Saving deposits	172,514,604.52	252,437,834.03	8,906,638.46	42,712,590.10
Fixed deposit	-	12,410.90	-	-
Total	194,198,590.98	273,162,981.98	26,338,350.91	60,800,506.84

## 8. CURRENT INVESTMENTS

	Baht			
	Consolidated financial statements			
	2017		2016	
	Cost	Fair Value	Cost	Fair Value
Investments in trading securities	233,720,417.90	234,249,894.92	390,398,283.92	391,242,593.75
Twelve-month fixed deposit	411,979.24	411,988.15	406,459.92	406,459.92
Total	234,132,397.14	234,661,883.07	390,804,743.84	391,649,053.67
<u>Less</u> Allowance for doubtful accounts	(49,770,252.14)	(49,770,252.14)	-	-
Net	184,362,145.00	184,891,630.93	390,804,743.84	391,649,053.67

Current investment is investment in market fund mostly in government debt securities having fair value Baht 111.43 million and at cost Baht 110.94 million and bill of exchange at cost Baht 49.77 million which allowance for doubtful accounts has been provided in full amount.

## 9. TRADE ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

### 9.1 Trade accounts receivable

Trade accounts receivable are classified by aging as at December 31, 2017 and 2016 as follows:

	Baht			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
<b>Related parties (Note 5)</b>				
Divided by aging as follow				
Undue	-	-	-	-
Over due within 1 - 3 months	-	-	-	-
Over due within 4 - 6 months	-	-	13,910.00	-
Over due within 7 - 12 months	-	-	-	38,413.00
Over 12 months	-	-	33,819,373.67	33,780,960.67
Total	-	-	33,833,283.67	33,819,373.67
<u>Less</u> Allowance for doubtful accounts	-	-	(33,833,283.67)	(33,819,373.67)
Trade accounts receivable - related parties - net	-	-	-	-
<b>Other companies</b>				
Divided by aging as follow				
Undue	359,313,346.54	178,157,137.98	131,127,033.27	178,157,137.98
Over due within 1 - 3 months	5,156,639.74	168,463,043.15	5,156,639.74	127,351.40
Over due within 4 - 6 months	-	-	-	-
Over due within 7 - 12 months	-	-	-	-
Over 12 months	116,586,553.80	144,866,098.80	116,586,553.80	144,866,098.80
Total	481,056,540.08	491,486,279.93	252,870,226.81	323,150,588.18
Notes receivable	-	1,795,500.00	-	-
Total	481,056,540.08	493,281,779.93	252,870,226.81	323,150,588.18
<u>Less</u> Allowance for doubtful accounts	(47,406,267.39)	(47,406,267.39)	(47,406,267.39)	(47,406,267.39)
Trade accounts receivable - other companies - net	433,650,272.69	445,875,512.54	205,463,959.42	275,744,320.79

As at December 31, 2017, the Group has transferred the rights of collection of trade accounts receivable approximately amount of Baht 83.61 million (as at December 31, 2016 : Baht 192.13 million), to the local financial institution as collateral against credit facilities from financial institutions as stated in note 21.

9.2 Other current receivables

	Baht			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Receivable - Revenue Department	131,922,560.90	118,620,535.64	79,326.78	-
Unbilled input tax	22,717,165.40	23,956,571.36	16,268,192.31	18,266,410.89
Prepaid expenses	14,879,872.27	13,822,612.04	6,846,341.50	9,273,570.12
Accrued interest income	205,288.93	5,849,141.85	8,792,905.58	12,321,346.71
Others	20,348,938.54	10,613,122.52	16,731,200.24	14,687,828.56
Total	190,073,826.04	172,861,983.41	48,717,966.41	54,549,156.28
<u>Less</u> Allowance for doubtful accounts	(9,930,933.24)	(10,873,211.14)	(19,308,489.09)	(15,776,563.89)
Net	180,142,892.80	161,988,772.27	29,409,477.32	38,772,592.39

10. UNBILLED COMPLETION WORKS

	Baht			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Contract value	6,954,877,275.81	11,954,619,407.99	10,070,774,253.82	14,251,419,407.99
Recognition of service income				
- Recognition of service income up to beginning of the periods	4,994,784,812.79	7,531,064,396.96	6,289,937,197.51	8,385,893,936.28
- Recognition of service income during the periods	2,055,565,420.19	1,905,431,629.05	2,500,908,016.70	2,846,482,717.49
Total recognition of service income	7,050,350,232.98	9,436,496,026.01	8,790,845,214.21	11,232,376,653.77
<u>Less</u> Billings amount to the hirer	(6,637,836,623.23)	(8,964,662,364.06)	(8,347,279,963.20)	(10,729,241,781.96)
Unbilled completion works	412,513,609.75	471,833,661.95	443,565,251.01	503,134,871.81
<u>Less</u> Allowance for doubtful accounts	(65,398,053.03)	(91,650,098.82)	(65,398,053.03)	(91,650,098.82)
Unbilled completion works - net	347,115,556.72	380,183,563.13	378,167,197.98	411,484,772.99

As at December 31, 2017, unbilled completion works has included amount overdue more than 6 months from date of service approximate of Baht 65.40 million (as at December 31, 2016 : Baht 91.65 million). Currently, the Company is in the progress of work delivery and billing to customers. As at December 31, 2017, the Company has set aside allowance for doubtful accounts of Baht 65.40 million, (as at December 31, 2016 : Baht 91.65 million). As the Company has performed to comply with all term and conditions as stipulated in agreements, the Company's management anticipates that loss from collection of unbilled completion works will not exceed allowance for doubtful accounts.

# 11. RETENTION RECEIVABLE

Retention receivables are amount withheld by the customers at the rates 5 - 10 % of each contract of amount billed by the Group each instalment of customers' payment. The retention money shall be refunded to the Group upon the completion of the project stipulated in the contracts.

	Baht			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Retention receivable	4,513,322.55	79,156,312.17	4,513,322.55	79,156,312.17
<u>Less</u> Allowance for doubtful accounts	(3,750,736.97)	(10,206,449.27)	(3,750,736.97)	(10,206,449.27)
Retention receivable – net	762,585.58	68,949,862.90	762,585.58	68,949,862.90

# 12. ADVANCE PAYMENT PORPURCHASE MATERIAL AND CONTRUCTION

	Baht			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Deposit for inventories and assets	198,376,980.63	230,735,440.89	196,985,652.87	209,248,196.08
<u>Less</u> Allowance for doubtful accounts	(20,099,810.34)	(20,771,644.48)	(20,099,810.34)	(20,771,644.48)
Net	178,277,170.29	209,963,796.41	176,885,842.53	188,476,551.60

# 13. SUPPLIES

	Baht			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Supplies	72,203,555.06	54,155,729.72	72,175,460.06	54,155,729.72
<u>Less</u> Allowance for impairment	(9,731,579.72)	(9,731,579.72)	(9,731,579.72)	(9,731,579.72)
Supplies - Net	62,471,975.34	44,424,150.00	62,443,880.34	44,424,150.00

# 14. REAL ESTATE PROJECTS UNDER DEVELOPMENT

	Baht			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Real estate projects				
- Land	554,028,000.00	554,028,000.00	-	-
- Construction in progress	349,208,213.80	278,748,786.67	-	-
- Other expenses	99,138,013.14	83,730,120.12	-	-
- Interest costs	43,526,600.46	42,741,159.56	-	-
Real estate projects	1,045,900,827.40	959,248,066.35	-	-
<u>Less</u> Transfer out	(681,563,741.80)	(493,018,012.80)	-	-
Transfer out to be investment properties	(269,559,129.65)	-	-	-
Real estate projects under development	94,777,955.95	466,230,053.55	-	-



In the third quarter of the year 2017, TPC Asset Co., Ltd., a subsidiary reclassified one plot of land Baht 269.56 million in the real estate projects under development to investment properties since the project will not be developed and such land is being considered to be sold according to the Board of Director meeting no.1/2017 agenda 1 as stated in note 18.

As at December 31, 2017, the subsidiary's land under development are mortgaged as collateral against long-term loans as stated in notes 26.

## 15. RESTRICTED BANK DEPOSITS

	Baht			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Fixed deposit	134,167,197.69	253,406,502.55	120,497,558.58	237,686,729.29
Saving deposit	16,023,403.69	11,760,000.00	-	-
Total	150,190,601.38	265,166,502.55	120,497,558.58	237,686,729.29

The Company and subsidiaries have fixed deposits pledged as collateral against bank issuance of letter of guarantee as stated in note 41.

Chang Raek Bio Power Company Limited, a subsidiary, has deposit pledged as collateral long-term loans against bank issuance of letter of guarantee as stated in note 26.

## 16. INVESTMENTS IN SUBSIDIARIES

Separate financial statements							
Invested company	Type of business	Paid - up capital		Percentage		Investments at cost	
		(Million Baht)		of investments (%)		(Baht)	
		2017	2016	2017	2016	2017	2016
TPC Asset Co., Ltd.	Property development	230	230	99.99	99.99	230,000,000.00	230,000,000.00
TPC Power Holding Plc.	Investment in energy business	401	401	41.26	41.26	173,149,960.00	173,149,960.00
TPC Bangkok Supply Co., Ltd.	Trading business	20	5	99.99	99.99	19,999,965.00	4,999,965.00
Total						423,149,925.00	408,149,925.00

16.1 TPC Power Holding Public Company Limited has investments in subsidiaries (Indirect subsidiaries of Thai Polycons Public Company Limited as follows:

Invested company	Type of business	Paid - up capital	Percentage of investment (%)		Investments at cost (Baht)	
			2017	2016	2017	2016
Chang Raek Bio Power Co., Ltd.	Generate and distribute of electricity current	200,000,000	73.12	73.12	135,143,869.86	135,143,869.86
Thungsung Green Co., Ltd.	Generate and distribute of electricity current	200,000,000	65.00	65.00	126,737,788.49	126,737,788.49
Pattani Green Co., Ltd.	Generate and distribute of electricity current	132,500,000	65.00	65.00	86,124,970.00	6,499,970.00
(In 2016 paid-up share capital 10,000,000 Baht)						
Phattalung Green Power Co., Ltd.	Generate and distribute of electricity current	250,000,000	60.00	60.00	149,999,970.00	149,999,970.00
Satun Green Power Co., Ltd.	Generate and distribute of electricity current	250,000,000	51.00	51.00	127,499,970.00	127,499,970.00
Maewong Energy Co., Ltd.	Generate and distribute of electricity current	200,000,000	85.00	85.00	170,739,500.00	170,739,500.00
TPCH Power 1 Co., Ltd.	Generate and distribute of electricity current	20,000,000	65.00	65.00	12,999,990.00	3,249,990.00
(In 2016 paid-up share capital 5,000,000 Baht)						
TPCH Power 2 Co., Ltd.	Generate and distribute of electricity current	20,000,000	65.00	65.00	12,999,990.00	3,249,990.00
(In 2016 paid-up share capital 5,000,000 Baht)						
TPCH Power 3 Co., Ltd.	Generate and distribute of electricity current	5,000,000	-	65.00	-	3,249,990.00
(Dissolution on December 22, 2017)						
TPCH Power 4 Co., Ltd.	Generate and distribute of electricity current	5,000,000	-	65.00	-	3,249,990.00
(Dissolution on December 22, 2017)						
TPCH Power 5 Co., Ltd.	Generate and distribute of electricity current	20,000,000	65.00	65.00	12,999,990.00	3,249,990.00
TPCH Power 6 Co., Ltd.	Generate and distribute of electricity current	10,750,000	65.00	-	9,637,450.00	-
TPCH Power 7 Co., Ltd.	Generate and distribute of electricity current	250,000	99.99	-	249,987.50	-
TPCH Power 8 Co., Ltd.	Generate and distribute of electricity current	250,000	99.99	-	249,987.50	-
Total					845,383,463.35	732,871,018.35

- 16.1.1 In the second quarter of the year 2016, TPC Power Holdings Public Company Limited. has additionally invested and paid following shares.
- 16.1.1.1 The Company has invested in TPC Power 1 Company Limited amount of 1,299,996 shares at par Baht 10.00 each with paid up Baht 2.50 each total amount of Baht 3.25 million with 65 percent of shareholding.
- 16.1.1.2 The Company has invested in TPC Power 2 Company Limited amount of 1,299,996 shares at par Baht 10.00 each with paid up Baht 2.50 each total amount of Baht 3.25 million with 65 percent of shareholding.
- 16.1.1.3 The Company has invested in TPC Power 3 Company Limited amount of 1,299,996 shares at par Baht 10.00 each with paid up Baht 2.50 each total amount of Baht 3.25 million with 65 percent of shareholding.
- 16.1.1.4 The Company has invested in TPC Power 4 Company Limited amount of 1,299,996 shares at par Baht 10.00 each with paid up Baht 2.50 each total amount of Baht 3.25 million with 65 percent of shareholding.
- 16.1.1.5 The Company has invested in TPC Power 5 Company Limited amount of 1,299,996 shares at par Baht 10.00 each with paid up Baht 2.50 each total amount of Baht 3.25 million with 65 percent of shareholding.
- 16.1.1.6 The Company additionally paid common share of Phattalung Green Power Company Limited amount of 10,200,000 shares at Baht 2.50 each total amount of Baht 25,500,000.00.
- 16.1.2 In the fourth quarter of 2016, TPC Power Holdings Public Company Limited additionally paid common share of Satun Green Power Co., Ltd. amount of 11,730,000 shares Baht 2.50 each total amount of Baht 29,325,000.00.
- 16.1.3 In the second quarter of 2017, TPC Power Holdings Public Company Limited additionally paid common share of Pattani Green Co., Ltd. amount of 31,850,000 shares Baht 2.50 each total amount of Baht 79,625,000.00 with 65 percent of shareholding.
- 16.1.4 In the third quarter of the year 2016, TPC Power Holdings Public Company Limited. has additionally invested and paid following shares.
- 16.1.4.1 The Company additionally paid common share of TPC Power 1 Company Limited amount of 1,299,996 shares at Baht 7.50 each total amount of Baht 9,749,970.00 with 65 percent of shareholding.
- 16.1.4.2 The Company additionally paid common share of TPC Power 2 Company Limited amount of 1,299,996 shares at Baht 7.50 each total amount of Baht 9,749,970.00 with 65 percent of shareholding.
- 16.1.4.3 The Company additionally paid common share of TPC Power 5 Company Limited amount of 1,299,996 shares at Baht 7.50 each total amount of Baht 9,749,970.00 with 65 percent of shareholding.
- 16.1.4.4 The Company has invested in TPC Power 6 Company Limited amount of 99,995 shares at par Baht 10.00 each with paid up Baht 2.50 each total amount of Baht 0.25 million with 99.99 percent of shareholding.
- 16.1.4.5 The Company has invested in TPC Power 7 Company Limited amount of 99,995 shares at par Baht 10.00 each with paid up Baht 2.50 each total amount of Baht 0.25 million with 99.99 percent of shareholding.
- 16.1.4.6 The Company has invested in TPC Power 8 Company Limited amount of 99,995 shares at par Baht 10.00 each with paid up Baht 2.50 each total amount of Baht 0.25 million with 99.99 percent of shareholding.

16.1.5 In Quarter 4th 2017, TPC Power Holding Plc. additionally invested and made share payment as follows.

16.1.5.1 According to the Board of Director meeting no.19/2017 held on October 2,2017, the Company passed resolution to sell its 35,000 common shares of TPC Power 6 Co.,Ltd. to Wood Work Energy Co., Ltd. Baht 2.50 per share amount of Baht 87,500.00 and additionally made share payment Baht 7.50 per share amount of Baht 0.49 million. The Company also additionally invested in increasing share of TPC Power 6 Co., Ltd. 2,535,000 shares Baht 2.50 each amount of Baht 6.34 million and made share payment for Wood Work Energy Co., Ltd. Baht 2.65 million making total amount of investment Baht 9.64 million with percentage of shareholding 65 percent.

16.1.6 According to the extra-ordinary shareholder meeting no. 3/2017 held on December 12, 2017, TPC Power 3 Co., Ltd., a subsidiary, passed resolution to liquidate its operation and already registered liquidation on December 22, 2017.

16.1.7 According to the extra-ordinary shareholder meeting no. 3/2017 held on December 12, 2017, TPC POWER 4 Co., Ltd., a subsidiary, passed resolution to liquidate its operation and already registered liquidation on December 22, 2017.

16.2 Investment in subsidiaries registered as joint venture of Thaipolycons Public Company Limited with no capital investment consisting of

**16.2.1 Joint Venture of THAIPOLYCONS PLC.**

Invested company	Type of business	Paid - up capital	Percentage of investment (%)		Consolidated financial statements		Separate financial statements	
					Investments - equity ( Baht )		Investments - cost ( Baht )	
			2017	2016	2017	2016	2017	2016
Thai Polycons and	Construction							
Leam thong Phatthalung	contractor	-	99.95	99.95	-	-	-	-
Joint Ventures								
TPCI Joint Ventures	Construction							
	contractor	-	99.00	99.00	-	-	-	-

**16.2.2 Joint Venture of TPC BANGKOK SUPPLY CO., LTD.**

Invested company	Type of business	Paid - up capital	Percentage of investment (%)		Consolidated financial statements		Separate financial statements	
					Investments - equity ( Baht )		Investments - cost ( Baht )	
			2017	2016	2017	2016	2017	2016
TPCESG Joint Ventures	Trading and service	-	80.00	80.00	-	-	-	-

On February 29, 2016, TPC Bangkok Supply Company Limited and ES Global Company Limited have invested in TPCESG Joint Venture with percentage of shareholding 80:20.

## 17. INVESTMENTS IN JOINT VENTURE

### Joint Venture of THAI POLYCONS PLC.

Invested company	Type of business	Paid - up capital	Percentage of investment (%)		Consolidated financial statements		Separate financial statements	
					Investments - equity ( Baht )		Investments - cost ( Baht )	
			2017	2016	2017	2016	2017	2016
Thai Polycons P.S.M.	Construction	-	99.95	99.95	-	-	-	-
Joint Ventures	contractor							
SLTT Joint Ventures	Construction	-	50.00	50.00	866,203.23	3,023,138.25	-	-
	contractor							
Total					866,203.23	3,023,138.25	-	-

On March 9, 2016, Thaipolycons Public Company Limited. and Solartron Plc. have jointly invested in SLTT Joint Venture with percentage of shareholding 50:50.

### Joint Venture of TPC POWER HOLDING PLC.

Invested company	Type of business	Paid - up capital	Percentage of investment (%)		Consolidated financial statements		Investments - cost ( Baht )	
					Investments - equity ( Baht )		Investments - cost ( Baht )	
			2017	2016	2017	2016	2017	2016
Mahachai Green	Generate and							
Power Co., Ltd.	distribute of							
(In 2016 paid-up share	electricity							
capital 233,500,000 Baht)	current	234,190,000	46.00	46.00	159,975,959.41	136,326,294.66	113,350,000.00	113,350,000.00
PA Waste and Energy	Generate and							
Co., Ltd.	distribute of							
	RDF waste	23,000,000	45.00	45.00	19,451,006.06	19,603,623.73	20,000,000.00	20,000,000.00
Siam Power Co., Ltd.	Generate and							
(In 2016 paid-up share	distribute of							
capital 250,000,000 Baht)	electricity							
	current and							
	RDF waste	382,500,000	50.00	50.00	315,881,483.40	187,576,468.08	337,450,000.00	189,950,000.00
Total					495,308,448.87	343,506,386.47	470,800,000.00	323,300,000.00

1. According to the Board of Director meeting No. 2/2016 held on May 11, 2016, of TPC Power Holding Public Company Limited passed resolution to invest in 103,500 shares at par value Baht 10.00 each of PA Waste and Energy Company Limited with percentage of shareholding 45% of registered share capital of such company at the price total amount of Baht 20,000,000.00.

2. According to the Board of Director meeting No.4/2016 held on August 24, 2016, of TPC Power Holding Public Company Limited passed resolution to invest in 18,000,000 shares of Siam Power Company Limited with percentage of shareholding 45% of registered share capital of such company amount of 40 million shares (After increasing share capital) by making ordinary share payment amount of Baht 78,750,000 as following detail.

By purchasing from a former shareholder amount of 13.50 million shares at the price Baht 7.83 per share at par value Baht 10.00 each with partially paid up Baht 2.50 each and making payment to former shareholder at paid up share amount of Baht 33,750,000.00. The remaining amount of Baht 71,955,000.00 will be paid to shareholder within 2017 and Siam Power Co., Ltd. called for additional paid up Baht 1.50 per share amount of Baht 20,250,000.00 paid at the same time. Total amount of ordinary share payment was Baht 54,000,000.00.

By purchasing increasing share capital amount of 4.50 million shares at the price Baht 22 per share at par Baht 10.00 each total amount of Baht 99,000,000.00 and making share payment Baht 5.50 divided into share price Baht 2.50 per share amount of Baht 11,250,000.00 and premium on share Baht 3.00 per share amount of Baht 13,500,000.00 total amount of Baht 24,750,000.00.

3. According to the Board of Director meeting No. 6/2016 held on October 21, 2016, of TPC Power Holding Public Company Limited passed resolution to purchase more ordinary share of Siam Power Company Limited from 3 related persons (Director and shareholder of group of Thai Polycons Public Company Limited amount of 2,000,000 shares at par Baht 10.00 each or 5 percent of registered share capital as following detail.

- By purchasing 1,500,000 ordinary shares paid up Baht 4 per share total amount of Baht 6,000,000 and unpaid Baht 6.00 per share total amount of Baht 9,000,000.

- By purchasing 500,000 ordinary shares at the offering price Baht 22.00 per share having premium on share capital Baht 12.00 per share and making share payment Baht 5.50 per share amount of Baht 2,750,000 and unpaid to Siam Power Company Limited amount of Baht 8,250,000.

- The purchasing price of such shares is the cost price that 3 related persons purchased such share on August 24, 2016.

4. In the fourth quarter of 2016, the Company additionally paid common share of Siam Power Co., Ltd. amount of 15,000,000 shares Baht 1.50 each total amount of Baht 22,500,000.

5. In the first quarter of 2017, the Company additionally paid common share of Siam Power Co., Ltd. amount of 15,000,000 shares Baht 2 each total amount of Baht 30,000,000.

6. In the second quarter of 2017, the Company additionally paid common share of Siam Power Co., Ltd. amount of 15,000,000 shares Baht 2 each total amount of Baht 30,000,000.

7. In the third quarter of 2017, the Company additionally paid common share of Siam Power Co., Ltd. amount of 15,000,000 shares Baht 0.50 each total amount of Baht 7,500,000 and amount of 5,000,000 shares Baht 4.00 each total amount of Baht 20,000,000.

8. In the fourth quarter of 2017, the Company additionally paid common share of Siam Power Co., Ltd. amount of 5,000,000 shares Baht 2.00 each total amount of Baht 10,000,000.00

9. According to the Board of Director meeting no.24/2017 held on December 18, 2017, the Company passed resolution to invest in increasing of Siam Power Co., Ltd. amount of 5,000,000 shares Baht 10.00 each total amount of Baht 50.00 million and already paid in full amount.

## 18. INVESTMENT PROPERTIES

	Baht			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Land and developing cost	270,222,129.65	663,000.00	663,000.00	663,000.00
Total	270,222,129.65	663,000.00	663,000.00	663,000.00

In the third quarter of the year 2017, TPC Asset Co., Ltd., a subsidiary reclassified land previously held as real estate projects under development to be investments properties Baht 269.56 as stated in note 14.

As at December 31, 2017, land and developing cost has fair value Baht 285.24 million.



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19. PROPERTY, PLANT AND EQUIPMENT

	Consolidated financial statements								(Unit : Baht)
	December 31, 2015	Increase	Decrease	Transfer in (out)	December 31, 2016	Increase	Decrease	Transfer in (out)	December 31, 2017
Cost									
Land and land improvements	256,824,935.02	35,454,677.98	-	65,520.00	292,345,133.00	208,851,277.75	-	1,756,750.00	502,953,160.75
Land - earthen ponds	10,345,725.00	-	-	-	10,345,725.00	-	-	-	10,345,725.00
Building	220,673,140.98	10,265,604.80	-	89,423,788.77	320,362,534.55	3,141,004.01	-	84,353,738.02	407,857,276.58
Infrastructure	-	-	-	-	-	-	-	1,431,099.45	1,431,099.45
Tools and equipment	49,152,540.19	3,405,181.83	(27,313,533.34)	-	25,244,188.68	3,331,908.64	-	-	28,576,097.32
Machinery	1,201,728,420.49	19,233,013.29	(43,600.00)	556,988,629.72	1,777,906,463.50	40,853,771.90	-	570,215,291.08	2,388,975,526.48
Office fixture and equipment	27,712,015.04	3,072,370.34	(4,052,313.04)	-	26,732,072.34	5,406,491.42	(1,342,072.57)	-	30,796,491.19
Vehicles	43,226,127.73	5,546,645.83	(4,933,068.62)	-	43,839,704.94	8,618,000.00	(5,002,044.00)	-	47,455,660.94
Total	1,809,662,904.45	76,977,494.07	(36,342,515.00)	646,477,938.49	2,496,775,822.01	270,202,453.72	(6,344,116.57)	657,756,878.55	3,418,391,037.71
Accumulated depreciation									
Land and land improvements	1,875,360.40	4,925.89	-	-	1,880,286.29	1,210.26	-	-	1,881,496.55
Land - earthen ponds	10,145,725.00	-	-	-	10,145,725.00	-	-	-	10,145,725.00
Building	16,339,926.71	6,187,549.80	-	-	22,527,476.51	9,882,888.79	-	418,911.59	32,829,276.89
Infrastructure	-	-	-	-	-	72,143.10	-	-	72,143.10
Tools and equipment	42,046,399.49	3,315,296.98	(27,003,535.17)	(317,244.98)	18,040,916.32	3,208,804.05	-	(109,493.40)	21,140,226.97
Machinery	157,378,755.05	60,820,022.82	(43,598.00)	-	218,155,179.87	88,954,962.79	-	716,758.36	307,826,901.02
Office fixture and equipment	18,533,481.81	3,511,474.08	(3,526,750.30)	317,244.98	18,835,450.57	3,530,718.78	(1,302,465.50)	-	21,063,703.85
Vehicles	32,333,090.39	3,864,781.33	(4,717,561.77)	-	31,480,309.95	2,628,890.78	(5,002,042.00)	-	29,107,158.73
Total	278,652,738.85	77,704,050.90	(35,291,445.24)	-	321,065,344.51	108,279,618.55	(6,304,507.50)	1,026,176.55	424,066,632.11
Assets under installation	358,489,231.04	923,821,369.10	-	(646,836,569.94)	635,474,030.20	649,019,223.26	-	(656,730,702.00)	627,762,551.46
Net book value	1,889,499,396.64				2,811,184,507.70				3,622,086,957.06

Depreciation for the year ended December 31, 2017 and 2016 amounted to Baht 108,279,618.55 and Baht 77,704,050.90, respectively.

Partial of land and its construction was mortgaged for the credit line as stated in notes No. 21, 26 and 41.

As at December 31, 2017, the Company and subsidiaries has equipment at cost of Baht 144.03 million and net book value amount of Baht 7.43 million (as at December 31, 2016, at cost of Baht 112.90 million and net book value of Baht 1,236.00) which were fully depreciated but are still in used.

As at December 31, 2017, the Company and subsidiaries has equipment and vehicles acquired under financial lease at net book value amount of Baht 32.05 million (as at December 31, 2016 had amount of Baht 18.88 million) as stated in notes 27.

During the second and third quarters of 2017, the Group of Company purchased land from a related party for the construction of the biomass power plant project, which is higher than the appraised value of the independent appraiser.

- TPC Power 1 Co., Ltd. Transaction of value Baht 32.50 million Appraised value by independent appraiser of Baht 12.29 million.
- TPC Power 2 Co., Ltd. Transaction value of Baht 27.93 million Appraised value by independent appraiser Baht 7.11 million.
- Pattani Green Co., Ltd. Transaction value Baht 76.50 million Appraised value by independent appraiser Baht 37.98 million

The IFA is of the opinion that even if the purchase price of land from such related party is inappropriate, the purchase price is higher than the fair price appraised by the independent appraiser. Considering the reasons and necessity, including advantages /disadvantages of comparative disadvantages / risks of entering into transactions with related parties, who are local people. Familiar area has the potential to gather appropriate land. The transaction will be beneficial to the Company and shareholders. The return on investment is also in line with the company's investment policy. In considering the value of investment in the project by using the purchase price from the related persons, the three projects have net present value of Baht 241.59 million, Baht 252.33 million and Baht 1,996.66 million, respectively. Return on investment at 11.48 percent, 11.71 percent and 23.99 percent, respectively, and the Extraordinary General Meeting of Shareholders No. 1/2017 TPC Power Holding Plc., held on September 29, 2017, approved the purchase of such land.





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	Separate financial statements								(Unit : Baht)
	December 31, 2015	Increase	Decrease	Transfer in (out)	December 31, 2016	Increase	Decrease	Transfer in (out)	December 31, 2017
Cost									
Land and land improvements	30,838,498.55	-	-	-	30,838,498.55	-	-	-	30,838,498.55
Land - earthen ponds	10,345,725.00	-	-	-	10,345,725.00	-	-	-	10,345,725.00
Building	23,947,292.74	3,090,000.00	-	1,696,178.80	28,733,471.54	-	-	11,701,702.60	40,435,174.14
Infrastructure	-	-	-	-	-	-	-	1,431,099.45	1,431,099.45
Tools and equipment	48,433,125.43	3,220,655.43	(27,256,133.34)	-	24,397,647.52	2,012,481.60	-	-	26,410,129.12
Machinery	115,500,683.83	-	(43,600.00)	-	115,457,083.83	174,500.00	-	-	115,631,583.83
Office fixture and equipment	23,301,620.13	1,879,788.39	(3,959,086.88)	-	21,222,321.64	3,598,080.07	(1,342,072.57)	-	23,478,329.14
Vehicles	37,539,500.48	3,174,246.19	(4,933,068.32)	-	35,780,678.35	-	(6,510,455.42)	-	29,270,222.93
Total	289,906,446.16	11,364,690.01	(36,191,888.54)	1,696,178.80	266,775,426.43	5,785,061.67	(7,852,527.99)	13,132,802.05	277,840,762.16
Accumulated depreciation									
Land and land improvements	1,875,360.40	4,925.89	-	-	1,880,286.29	1,210.26	-	-	1,881,496.55
Land - earthen ponds	10,145,725.00	-	-	-	10,145,725.00	-	-	-	10,145,725.00
Building	10,015,843.56	1,380,108.00	-	-	11,395,951.56	2,075,369.31	-	-	13,471,320.87
Infrastructure	-	-	-	-	-	72,143.10	-	-	72,143.10
Tools and equipment	41,765,296.36	3,058,941.45	(26,974,424.10)	(317,244.98)	17,532,568.73	2,912,066.36	-	-	20,444,635.09
Machinery	84,501,063.97	8,092,935.53	(43,598.00)	-	92,550,401.50	3,944,085.61	-	-	96,494,487.11
Office fixture and equipment	16,932,867.87	2,596,328.53	(3,447,299.09)	317,244.98	16,399,142.29	2,322,978.52	(1,302,465.50)	-	17,419,655.31
Vehicles	31,258,197.28	3,002,124.40	(4,717,561.77)	-	29,542,759.91	1,172,055.95	(6,510,452.42)	-	24,204,363.44
Total	196,494,354.44	18,135,363.80	(35,182,882.96)	-	179,446,835.28	12,499,909.11	(7,812,917.92)	-	184,133,826.47
Assets under installation	2,054,810.25	5,167,941.30	-	(2,054,810.25)	5,167,941.30	12,314,878.55	-	(13,132,802.05)	4,350,017.80
Net book value	95,466,901.97				92,496,532.45				98,056,953.49

Depreciation for the year ended December 31, 2017 and 2016 amounted to Baht 12,499,909.11 and Baht 18,135,363.80, respectively.

As at December 31, 2017, the Company has mortgaged land, building and machinery which has book value in the financial statements amount of Baht 44.51million (as at December 31, 2016 : Baht 30.20 million) used as collateral against credit lines from financial institutions as stated in notes 21, 26 and 41.

As at December 31, 2017, the Company has equipment at cost of Baht 142.70 million and net book value amount of Baht 7.37 million (as at December 31, 2016, at cost of Baht 112.78 million and net book value of Baht 1,211.00) which were fully depreciated but are still in used.

As at December 31, 2017, the Company has equipment and vehicles acquired under finance lease which has net book value of Baht 2.48 million (as at December 31, 2016, amount of Baht 7.17 million) as stated in note 27.

## 20. INTANGIBLE ASSETS

	Consolidated financial statements						(Unit : Baht)
	December 31, 2015	Increase	Decrease	December 31, 2016	Increase	Decrease	December 31, 2017
Cost:-							
Computer software	10,008,377.76	1,957,124.00	-	11,965,501.76	355,767.00	(125,656.00)	12,195,612.76
Goodwill	7,600,000.00	-	-	7,600,000.00	2,650,000.00	-	10,250,000.00
Total	17,608,377.76	1,957,124.00	-	19,565,501.76	3,005,767.00	(125,656.00)	22,445,612.76
Accumulated amortization:-							
Computer software	8,248,747.00	756,534.97	-	9,005,281.97	989,808.02	(125,654.00)	9,869,435.99
Total	8,248,747.00	756,534.97	-	9,005,281.97	989,808.02	(125,654.00)	9,869,435.99
Software under installation	1,957,124.00	-	(1,957,124.00)	-	-	-	-
Net book value	11,316,754.76			10,560,219.79			12,576,176.77

Amortization for the year ended December 31, 2017 and 2016 amounted to Baht 989,808.02 and Baht 756,534.97, respectively.

	Separate financial statements						(Unit : Baht)
	December 31, 2015	Increase	Decrease	December 31, 2016	Increase	Decrease	December 31, 2017
Cost:-							
Computer software	9,686,754.76	-	-	9,686,754.76	196,135.00	(125,656.00)	9,757,233.76
Total	9,686,754.76	-	-	9,686,754.76	196,135.00	(125,656.00)	9,757,233.76
Accumulated amortization:-							
Computer software	8,124,026.54	561,378.00	-	8,685,404.54	510,586.86	(125,654.00)	9,070,337.40
Total	8,124,026.54	561,378.00	-	8,685,404.54	510,586.86	(125,654.00)	9,070,337.40
Net book value	1,562,728.22			1,001,350.22			686,896.36

Amortization for the year ended December 31, 2017 and 2016 amounted to Baht 510,586.86 and Baht 561,378.00, respectively.

## 21. BANK OVERDRAFTS AND SHORT-TERM LOANS FROM FINANCIAL INSTITUTIONS

	Interest rate		Baht			
	(% per annum)		Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016	2017	2016
Bank overdraft	7.125 - 7.375	7.12 - 7.175	51,979,492.81	34,081,033.26	51,979,492.81	31,207,521.25
Short-term loans	5.50 - 6.25	6.00 - 6.25	236,950,000.00	248,850,000.00	236,950,000.00	248,850,000.00
Total			288,929,492.81	282,931,033.26	288,929,492.81	280,057,521.25
<u>Less</u> Prepaid interest expenses			(3,030,067.42)	(3,509,704.64)	(3,030,067.42)	(3,509,704.64)
Net			285,899,425.39	279,421,328.62	285,899,425.39	276,547,816.61

As at December 31, 2017, the Group has bank overdraft and short-term loans from financial institutions in amount of Baht 600.00 million (as at December 31, 2016 : Baht 770.00 million). Such loans are guaranteed by trade accounts receivable as stated in note 9.1, land and buildings in note 19 and certain of director and shareholder guarantee by shareholding common share of subsidiaries.

## 22. TRADE ACCOUNTS PAYABLE AND OTHER PAYABLES

	Baht			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Trade accounts payable	376,972,815.06	576,801,206.85	271,710,131.49	497,131,435.29
Trade notes payable	39,843,068.80	1,970,815.29	39,843,068.80	1,728,241.07
Total	416,815,883.86	578,772,022.14	311,553,200.29	498,859,676.36
Other payables				
Other accrued expenses	75,078,144.74	71,572,826.39	52,411,159.48	52,675,918.24
Accrued interest expenses	2,658,818.16	2,100,548.94	-	-
Accrued withholding tax	2,693,831.99	3,317,946.04	25,252.35	255,873.36
Payable - Revenue Department	5,504,076.92	8,456,327.62	3,349,806.15	5,004,308.17
Undue output tax	37,068,897.68	34,867,528.76	23,089,896.23	25,226,437.81
Estimated contingent liabilities	78,556,736.07	73,369,790.93	78,556,736.07	73,369,790.93
Provisions loss for delay fines	-	28,279,545.00	-	28,279,545.00
Investment payable	-	64,950,000.00	-	-
Other payables	104,231,997.52	13,753,565.22	5,776,634.68	5,544,258.14
Total	305,792,503.08	300,668,078.90	163,209,484.96	190,356,131.65
Total trade accounts payable and other payables	722,608,386.94	879,440,101.04	474,762,685.25	689,215,808.01

The Company recorded provision for liabilities from lawsuit as follows :

22.1 The Company has filed the disputation to the Arbitrator as contentious case, black case No. 2/2552 required a hirer make payment for damages claimed. The hirer has filed protest and claim as the same case. The Arbitrator has rulings to the Company to make indemnity to the employer amount of Baht 67,324,685.08 together with interest 7.50% per annum and returned letter of guarantee issued by Bangkok Bank Public Company Limited for guarantee work performance under contractual contract to the employer and order to return letter of guarantee issued by Bangkok Bank Public Company Limited for guarantee amount received in advance under contractual contract to the Company. When the hirer received the lacked prepayment from the Company that the Company has a recorded debt obligations in full with interest rate 7.50% and the Company is filing the petition to the Civil Court to revoke the Arbitrator's rulings. Meanwhile, the employer company has filed the petition to the Civil Court for the execution. The Civil Court has judged and ordered the Company to pay damage to hirer together with interest rate 7.50% per annum including fee and lawyer fee amount of Baht 1,577,364.00. The Company has filed to appeal verdict at the Supreme Court and complaint to stay execution during appeal. On November 15, 2016, the Court ordered to cease legal execution but frozen bank account order is still effective by sending money amount of Baht 69,040,011.94 to Legal Execution Department on March 20, 24 and July 7, 2017 recorded as money secured at Legal Execution Department.

22.2 The Company has recorded a provision from delay fines from a project, an amount to Baht 28.28 million.

22.3 The Company recorded liabilities from lawsuit as primary court has judged and ordered the company to pay to litigant Baht 152,600.00 damage including interest rate 7.50% per annum of the principal from the litigation date until fully paid and court fee. The Company is under filing appeal.

22.4 The Company recorded liabilities from lawsuit as primary court has judged and ordered the company to pay to contractor Baht 1,074,912.65 damage including interest rate 7.50% per annum of the principal from the litigation date until fully paid and court fee. The Company is under filing appeal.

## **23. RETENTION PAYABLE**

The Group withheld retention money from the contractors as security for their work performance, at the rate of 5% of the contractors' billings. The retention money shall be refunded to the contractors upon the completion of works and whenever the contractors do not infringe upon the conditions set forth in the agreements.

## 24. ADVANCES RECEIVED UNDER CONSTRUCTION CONTRACTS

Advances received under construction contracts represent cash advances from customers at the rate ranging from 5 - 25% of total contracted amount. These advances are applied as part of each customer's payment.

## 25. UNEARNED REVENUE UNDER CONTRACT TO BUY AND TO SELL

	Baht	
	Consolidated financial statements	
	2017	2016
Contract value	945,995,698.00	728,967,350.00
(% of total project sale)	82.55%	67.15%
Instalment due	877,170,698.00	618,130,698.00
<u>Less</u> Received payment	(877,170,698.00)	(618,130,698.00)
Trade receivable - net	-	-
Unbilled income under percentage of completion/unrealized instalment due		
Instalment due	877,170,698.00	618,130,698.00
<u>Less</u> Realized income	(874,855,698.00)	(616,375,698.00)
Unrealized instalment due income	2,315,000.00	1,755,000.00
Obligation from developing project on hand		
Number of project on hand, beginning of the year	2	1
Number of new project	-	1
Number of project on hand, end of the year	2	2
Value of project on hand (Baht)	1,146,000,000.00	1,085,625,000.00
Contract sales value (Baht)	945,995,698.00	728,967,350.00
% sales value of project on hand	82.55%	67.15%

## 26. LONG-TERM LOANS

	Baht			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Long-term loans from financial institutions	1,964,061,000.00	1,731,865,441.47	-	-
Less Current portion	(277,351,000.00)	(136,680,000.00)	-	-
Long-term loans, net	1,686,710,000.00	1,595,185,441.47	-	-

TPC Asset Company Limited, a subsidiary, has a long-term loan from a local financial institution in amounting to Baht 137 million by making principal repayment from free mortgaged land together with construction not less than 80% of to buy and to sell agreement. Principal repayment is paid within 30 months from the date of loan agreement with monthly interest payment at the rate MLR per annum.

Long-term loans are guaranteed by land under development as stated in note 14, land and buildings as stated in note 19 and Thai Polycons Public Company Limited in full credit.

Chang Raek Bio Power Company Limited, a subsidiary company of TPC Power Holding Public Company Limited, has a long-term loan from a local financial institution in amounting to Baht 500 million, and total loans repayment will be made in accordance with the agreement within 81 months from the first withdrawal date. The interest is payable on a monthly basis at the rate of MLR-1.25% and MLR-2 % per annum since March 1, 2017 guaranteed by fixed deposit as stated in note 15 and mortgaging land with construction and machineries of the project as stated in note 19 and Thai Polycons Public Company Limited. On June 13, 2017, the Company has entered into revised loan agreement no.3 in guarantee contract for total remaining loan Baht 281.62 million guaranteed by TPC Power Holding Plc. as previously guaranteed by Thai Polycons Plc.

Maewong Energy Company Limited, a subsidiary of TPC Power Holding Public Company Limited, has credit line from domestic financial institution amount of Baht 500 million, maturity within 116 months (inclusive principal grace period), the principal grace period is granted for 20 months counting from the signing date or 6 months after the borrower operated commercial electricity plant whichever is earlier and interest is payable on a monthly basis at the rate of MLR -1.50% per annum for the 1th - 48th month and at the rate of MLR -1.25% per annum for the 49th - 116th month, guaranteed by mortgaging land with its construction and machineries including total equipment in electricity generating system and TPC Power Holding Plc. in proportion of shareholding and transferring the right to receive electricity fee from Provincial Electricity Authority to the bank.

Thungsung Green Company Limited, a subsidiary of TPC Power Holding Public Company Limited, has credit line from a local financial institution in the amount of Baht 500 million. The first instalment of principals is repayable in the 25th month maturity and total loans repayment will be made in accordance with the agreement within 120 months from the first withdrawal date (the grace period is granted for 24 months from the first of loans withdrawal date). The interest is payable on a monthly basis at the rate of MLR-1.5% per annum. Throughout the agreement periods, the loans are guaranteed by mortgaging land with its construction and machineries including all equipment of the electricity current generating system and TPC Power Holding Plc. based on shareholding proportion, transfer the right to receive electricity fee from the Provincial Electricity Authority to the bank and required to maintain cash in the accounts for reserving the principal and interest repayment for 1 instalment by gradually made within 4 months from the Commercial Operation Date (COD).

Phthalung Green Power Company Limited, a subsidiary of TPC Power Holding Public Company Limited, has credit line from a local financial institution in the amount of Baht 500 million. The first instalment of principals is repayable in the 25th month maturity and total loans repayment will be made in accordance with the agreement within 120 months from the first withdrawal date (the grace period is granted for 24 months from the first of loans withdrawal date). The interest is payable on a monthly basis at the rate of MLR-2% per annum. Throughout of the agreement periods, the loans are guaranteed by mortgaging land with its construction and machineries including all equipment of the electricity current generating system and TPC Power Holding Plc. based on shareholding proportion, transfer the right to receive electricity fee from the Provincial Electricity Authority to the bank and required to maintain cash in the accounts for reserving the principal and interest repayment for 1 instalment by gradually made within 4 months from the Commercial Operation Date (COD).

Satun Green Power Company Limited, a subsidiary of TPC Power Holding Public Company Limited, has credit line from a local financial institution in the amount of Baht 500 million. The first instalment of principals is repayable in the 25th month maturity and total loans repayment will be made in accordance with the agreement within 120 months from the first withdrawal date (the grace period is granted for 24 months from the first of loans withdrawal date). The interest is payable on a monthly basis at the rate of MLR-2% per annum. Throughout of the agreement periods, the loans are guaranteed by mortgaging land with its construction and machineries including all equipment of the electricity current generating system and TPC Power Holding Plc. based on shareholding proportion, transfer the right to receive electricity fee from the Provincial Electricity Authority to the bank and required to maintain cash in the accounts for reserving the principal and interest repayment for 1 instalment by gradually made within 4 months from the Commercial Operation Date (COD).

The loan agreement contains certain restrictions and practices such as the preservation a certain debt-to-equity ratio and the restriction on dividend payment.

Movement of long-term loans from financial institutions for the year ended December 31, 2017 Summarized as follows:

	Baht	
	Consolidated financial statements	separate financial statements
Balance, as at December 31, 2016	1,731,865,441.47	-
<u>Add</u> Proceeds during the year	511,112,880.10	-
<u>Less</u> Loan repayment	(278,917,321.57)	-
Total	1,964,061,000.00	-
<u>Less</u> Current portion of long-term loans	(277,351,000.00)	-
Balance, as at December 31, 2017	1,686,710,000.00	-

## 27. FINANCIAL LEASE LIABILITIES

	Baht			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Financial lease liabilities	18,495,372.76	12,819,442.62	1,339,542.60	3,883,816.94
<u>Less</u> Current portion of				
financial lease liabilities	(7,226,555.37)	(5,821,054.51)	(515,203.82)	(2,544,274.33)
Net	11,268,817.39	6,998,388.11	824,338.78	1,339,542.61

The minimum amounts to be paid under financial lease are as follows :

	Baht			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Within 1 year	8,074,351.92	6,381,226.43	572,340.00	2,643,013.00
Over 1 year less than 5 years	11,822,112.05	7,486,855.40	858,510.00	1,430,850.00
Total	19,896,463.97	13,868,081.83	1,430,850.00	4,073,863.00
Less Future interest to be paid	(1,401,091.21)	(1,048,639.21)	(91,307.40)	(190,046.06)
Present value of				
financial lease liabilities	18,495,372.76	12,819,442.62	1,339,542.60	3,883,816.94

Details of leased assets under financial lease contract are as follows :

	Baht			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Vehicles	17,712,645.83	12,700,093.46	3,174,246.19	7,689,666.95
Tools and equipment	16,294,392.52	12,281,362.59	-	4,630,000.00
Total	34,007,038.35	24,981,456.05	3,174,246.19	12,319,666.95
Less Accumulated depreciation	(1,954,501.63)	(6,102,137.49)	(695,974.11)	(5,147,795.19)
Net book value	32,052,536.72	18,879,318.56	2,478,272.08	7,171,871.76



## 28. EMPLOYEE BENEFIT OBLIGATIONS

Changes in present value of employee benefit obligations plan for the nine-month period ended September 30, 2017 and

December 31, 2016

	Baht			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Employee benefit obligations plan at the beginning				
of period	21,791,103.00	22,216,520.00	15,791,609.00	17,522,977.00
Current cost of plan and interest	3,511,728.00	4,212,003.00	2,768,240.00	2,908,279.00
Actuarial losses (gains)	(3,599,648.00)	(1,522,459.00)	(4,293,825.00)	(1,524,686.00)
Payment employee benefit obligations	(1,433,376.00)	(3,114,961.00)	-	(3,114,961.00)
Employee benefit obligations plan				
at the ending of period	20,269,807.00	21,791,103.00	14,266,024.00	15,791,609.00

The principle of actuarial assumption as at the reporting date is as follows :

	Consolidated financial statements	Separate financial statements
For the year ended December 31, 2017		
Discount rate	2.81-3.26	2.81
Salaries increase rate	6.46-6.80	6.68
Employee turnover (employee of all ages)	0-26	0-26
Mortality rate (The year of 2017 Mortality Tables Thailand)	100.00	100.00
Disability rate (The year of 2017 Mortality Tables Thailand)	10.00	10.00

### 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.

	Baht			
	Consolidated financial statements		Separate financial statements	
	Increase	Decrease	Increase	Decrease
Defined benefit obligation				
at December 31, 2016				
Discount rate (0.50% movement)	(998,181.00)	1,088,594.00	(520,935.00)	557,078.00
Future salary growth (0.50% movement)	1,030,203.00	(955,412.00)	521,561.00	493,213.00

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

## 29. SHARE CAPITAL AND WARRANTS

### 29.1 Warrants

The Company has approved the issuance of warrants to purchase common shares of the Company (Warrants) (TPOLY-W2) not more than 125,976,090 units to the existing shareholders to subscribe shares in proportion (Right Issue) and the excess of the (Excess Rights) in the ratio of one share for two units of warrant without offering price of not more than three years from the date of issuance of the warrants (September 30, 2015 to September 28, 2018), with the exercise ratio at 1 unit of warrant per 1 ordinary share and the exercise price of Baht 3.00. The exercise ratio and the exercise price may change in accordance with the terms of adjustment.

Increase and decrease of warrants

	Unit	
	2017	2016
Number of warrants	125,975,546	125,975,998
Less Warrants exercised during the period	(105,160)	(452)
Number of warrants for the period ended	125,870,386	125,975,546

### 29.2 Registered and paid up share capital

29.2.1 In the first quarter of 2016, the Company received common share payment from warrant exercise amount of 164 shares at par Baht 3.00 each. The Company, therefore, has registered share capital amount of Baht 566.89 million and premium on share capital amount of Baht 381.57 million. The Company already registered such share capital with Ministry of Commerce on April 7, 2016.

29.2.2 According to the annual ordinary shareholder meeting of the year 2016 held on April 27, 2016 of Thai Polycons, Public Company Limited the Company passed resolution to bring legal reserve and premium on share capital to compensate deficit by decreasing legal reserve amount of Baht 21.75 million and premium on share capital amount of Baht 164.00 million for decreasing deficit amount of Baht 185.75 million.

29.2.3 In the fourth quarter, 2016, the Company received common share payment from warrant exercised 288 shares Baht 3.00 each. The Company, therefore, has paid-up share capital Baht 566.89 million and premium on share capital Baht 217.57 million. On January 10, 2017, the Company registered paid up share capital at Ministry of Commerce.

29.2.4 In the first quarter of 2017, the Company received common share payment from warrant exercise amount of 2,410 shares at par Baht 3.00 each. The Company, therefore, has registered share capital amount of Baht 566.90 million and premium on share capital amount of Baht 217.57 million. The Company already registered such share capital with Ministry of Commerce on April 11, 2017.

29.2.5 In the third quarter of 2017, the Company received common share payment from warrant exercise amount of 102,750 shares at par Baht 3.00 each. The Company, therefore, has registered share capital amount of Baht 567.00 million and premium on share capital amount of Baht 217.78 million. The Company already registered such share capital with Ministry of Commerce on October 11, 2017.

### 30. DIVIDEND

30.1 According to Annual shareholder meeting held on April 26, 2017, the Company passed resolution to pay dividend Baht 0.0115 per share total amount of Baht 6.53 million. Dividend was paid on May 24, 2017.

30.2 Chang Raek Bio Power Company Limited a subsidiary company of TPC Power Holding Public Company Limited.

30.2.1 According to the annual ordinary shareholder meeting of the year 2016 held on April 26, 2016 of the Company passed resolution to pay dividend at the rate Baht 1.00 per share total amount of Baht 20 million and set aside legal reserve at the rate 5 % of net profit of the year 2015 amount of Baht 3.41 million. Dividend was paid on April 29, 2016.

30.2.2 According to the Board of Director meeting No. 3/2016 held on November 21, 2016, Such company passed resolution to pay interim dividend Baht 3.00 per share total amount of Baht 60.00 million and set aside legal reserve at the rate 5% of net profit for the period ended September 30, 2016. Dividend was paid on December 6, 2016.

30.2.3 According to Board of Director meeting No. 3/2017 held on March 15, 2017, such company passed resolution to pay interim dividend Baht 1.25 per share total amount of Baht 25.00 million and set aside legal reserve at the rate 5% of net profit of the year 2016. Dividend was paid on March 30, 2017.

30.2.4 According to Board of Director meeting No. 4/2017 held on May 19, 2017, such company passed resolution to pay interim dividend Baht 1.00 per share total amount of Baht 20.00 million and set aside legal reserve at the rate 5% of net profit for the period ended March 31, 2017. Dividend was paid on June 15, 2017.

30.2.5 According to Board of Director meeting No. 5/2017 held on July 14, 2017, such company passed resolution to pay interim dividend Baht 1.00 per share total amount of Baht 20.00 million and set aside legal reserve at the rate 5% of net profit for the period ended June 30, 2017. Dividend was paid on August 17, 2017.

30.2.6 According to the Board of Director meeting no.7/2017 held on November 6, 2017, such company passed resolution to pay interim dividend payment Baht 1.25 per share total amount of Baht 25.00 million and set aside legal reserve 5 % of net profit for the period ended September 30, 2017 amount of Baht 1.79 million. Dividend was already paid on November 15, 2017.

30.3 Maewong Energy Co., Ltd, a subsidiary company of TPC Power Holding Public Company Limited.

30.3.1 According to the Board of Director meeting No. 3/2016 held on September 23, 2016, Such company passed resolution to pay dividend Baht 15.00 per share total amount of Baht 30.00 million and set aside legal reserve at the rate 5% of net profit for the period ended June 30, 2016 amount of Baht 2.86 million. Dividend was paid on September 28, 2016.

30.3.2 According to the Board of Director meeting No. 5/2016 held on November 22, 2016, Such company passed resolution to pay interim dividend Baht 10.00 per share total amount of Baht 20.00 million and set aside legal reserve at the rate 5% of net profit for the period ended September 30, 2016 amount of Baht 4.47 million. Dividend was paid on December 6, 2016.

30.3.3 According to Board of Director meeting No. 1/2017 held on January 20, 2017, such company passed resolution to pay interim dividend Baht 20.00 per share total amount of Baht 40.00 million and set aside legal reserve at the rate 5% of net profit for the year ended December 31, 2016 amount of Baht 5.95 million. Dividend was paid on February 28, 2017.

30.3.4 According to Board of Director meeting No. 4/2017 held on May 2, 2017, passed resolution to pay interim dividend Baht 10.00 per share total amount of Baht 20 million and set aside legal reserve at the rate 5% of net profit of the period ended March 31 2017 amount of Baht 1.37 million. Dividend was paid on May 16, 2017

30.4 According to Annual shareholder meeting held on April 24, 2017, TPC Power Holdings Public Company Limited, a subsidiary, passed resolution to pay interim dividend for the year 2016 Baht 0.03 per share total amount of Baht 12.04 million. and set aside legal reserve at the rate 5% of net profit of the year 2016 amount of Baht 1.44 million. Dividend was paid on May 24, 2017

30.5 Thungsung Green Co., Ltd, a subsidiary company of TPC Power Holding Public Company Limited.

30.5.1 According to Board of Director meeting No. 4/2017 held on May 19, 2017, passed resolution to pay interim dividend Baht 10.00 per share total amount of Baht 20.00 million and set aside legal reserve at the rate 5% of net profit for the period ended March 31, 2017 amount of Baht 1.54 million. Dividend was paid on June 15, 2017.

30.5.2 According to Board of Director meeting No. 5/2017 held on July 14, 2017, passed resolution to pay interim dividend Baht 10.00 per share total amount of Baht 20.00 million and set aside legal reserve at the rate 5% of net profit for the period ended June 30, 2017. Dividend was paid on August 17, 2017.

30.5.3 To the Board of Director meeting no.7/2017 held on November 6, 2017, such company passed resolution to pay interim dividend payment Baht 12.50 per share total amount of Baht 25.00 million and set aside legal reserve 5 % of net profit for the period ended September 30, 2017 amount of Baht 1.99. million. Dividend was already paid on November 15, 2017.

30.6 According to the extra-ordinary shareholder meeting no.4/2017 held on October 18, 2017, TPC Bangkok Supply Co., Ltd., a subsidiary, passed resolution to increase its registered-share capital from Baht 5.00 million to Baht 25.00 million by issuing 2,000,000 new common shares at par Baht 10.00 each and already registered to increase share capital at Department of Business Development on October 30, 2017.

### 31. LEGAL RESERVE

The legal reserve of the Company was established in accordance with the provisions of the Thai Public Company Limited Act B.E. 2535, which requires the appropriation as legal reserve of at least 5% of net income for the year after deduction of the deficit brought forward (if any) until the reserve reach 10% of the authorized share capital. This reserve is not available for dividend distribution.

### 32. DILUTED EARNINGS (LOSS) PER SHARE

Diluted earnings (loss) per share for the three-month and nine-month period ended September 30, 2017 and 2016 as follow:

	Baht					
	Consolidated financial statements					
	for the year ended December 31,					
	2017			2016		
	Profit (loss)	Number of share	Profit (loss) per share	Profit (loss)	Number of share	Profit (loss) per share
Basic	175,385,164.45	566,920,786	0.31	121,116,881.57	566,892,623	0.21
Effects of dilutive potential						
ordinary shares	-	42,404,963		-	27,556,827	-
Diluted earnings (loss)						
per share	-	609,325,749	0.29	-	594,449,450	0.20

	Baht					
	Separate financial statements					
	for the year ended December 31,					
	2017			2016		
	Profit (loss)	Number of share	Profit (loss) per share	Profit (loss)	Number of share	Profit (loss) per share
Basic	103,371,913.76	566,920,786	0.18	16,259,299.52	566,892,623	0.03
Effects of dilutive potential						
ordinary shares	-	42,404,963	-	-	27,556,827	-
Diluted earnings (loss)						
per share	-	609,325,749	0.17	-	594,449,450	0.03

### 33. SIGNIFICANT AGREEMENTS AND COVENANTS

The group of subsidiaries entered into agreement for electricity trading in form of acquisition of electricity from SME electricity generator for generating electricity from renewal energy with the Provincial Electricity Authority. The purchase electricity from small business power generator for electricity renewable energy to the grid, renewable energy to Provincial Electricity Authority in form of Feed-in tariff (FIT) is as follows:

<u>Companies</u>	<u>Project area</u>	<u>Electricity trading period</u>
Chang Raek Bio Power Co., Ltd.	Nakhomsrithammaraja	Start to distribute electricity current on March 15, 2013
Maewong Energy Co., Ltd.	Nakhomsawan	Start to distribute electricity current in form of Commercial Operating Distribution (COD) on October 12, 2015
Thungsung Green Co., Ltd.	Nakhomsrithammaraja	Start to distribute electricity current on October 3, 2016.
Phathalung Green Power Co., Ltd.	Phathalung	Start to distribute electricity current on July 7, 2017.
Satun Green Power Co., Ltd.	Satun	Non-operation (under construction)
TPCH Power 1 Co., Ltd.	Satun	Non-operation (under construction)
TPCH Power 2 Co., Ltd.	Satun	Non-operation (under construction)
TPCH Power 5 Co., Ltd.	Narathiwat	Non-operation (under construction)

A subsidiary made electricity purchase agreement from small business power producer for electricity renewable energy by Adder as follows.

<u>Companies</u>	<u>Project area</u>	<u>Electricity trading period</u>
Pattani Green Co., Ltd.	Pattani	Non-operation (under construction)

### 34. INCOME TAX

The Group records income tax based on the actual amount currently payable according to the tax legislation at the rate of 20% and 3% of net profit carried in a Special Economic Zone based on Royal Decree No. 466.

### 37. DIRECTORS' REMUNERATION

Directors' remuneration are benefits paid to the Company and subsidiaries' directors under the Public Company Limited Act - Section 90 by excluding salaries and benefits which paid to the directors.

The Company paid salaries, remunerations and other benefits to their directors and management, in accordance with the definitions of the Office of the Securities and Exchange Commission. Management under definition includes a chief executive officer the next four executive levels immediately after the chief executive officer and all persons in positions equivalent to these fourth executive levels.

### 38. SEGMENT INFORMATION

Operating segment information is reported in a manner consistent with the internal reports of the Company that are regularly reviewed by the Chief Operating Decision Maker in order to make decisions about the allocation of resources to the segment and assessing its performance.

The Company has mainly engaged in construction contractor. Subsidiaries have mainly engaged in 1) construction contractor 2) Property development 3) Trading 4) Selling power.

Segment information for the year ended December 31, 2017 and 2016 are as follows.

	Consolidated (Million Baht) financial statements											
	Construction services		Electricity current sellin		Real estate Selling		sales and service		Elimination		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Revenues from construction services	2,638.18	2,876.84	-	-	-	-	-	-	(574.53)	(954.56)	2,063.65	1,922.28
Revenues from sale of electricity	-	-	1,092.68	672.39	-	-	-	-	-	-	1,092.68	672.39
Revenues from sales of real estate	-	-	-	-	258.18	113.80	-	-	-	-	258.18	113.80
Revenues from sales and service	-	-	-	-	-	-	37.79	-	(20.30)	-	17.49	-
Cost of construction services	(2,348.06)	(2,653.50)	-	-	-	-	-	-	525.42	884.96	(1,822.64)	(1,768.54)
Cost of sale of electricity	-	-	(585.27)	(345.31)	-	-	-	-	4.57	2.26	(580.70)	(343.05)
Cost of sales of real estate	-	-	-	-	(190.96)	(86.28)	-	-	0.18	-	(190.78)	(86.28)
Cost of sales and service	-	-	-	-	-	-	(33.59)	-	18.71	-	(14.88)	-
Segment operating profit (loss)	290.12	223.34	507.41	327.08	67.22	27.52	4.20	-	(45.95)	(67.34)	823.00	510.60
Other income	38.54	59.05	14.37	15.98	0.25	0.09	0.54	-	(25.71)	(19.32)	27.99	55.80
Selling and administrative expense	(148.57)	(149.56)	(84.76)	(60.48)	(38.95)	(25.27)	(4.53)	-	0.40	0.30	(276.41)	(235.01)
Management benefit expenses	(22.62)	(15.58)	(10.85)	(8.25)	-	(0.28)	-	-	-	-	(33.47)	(24.11)
(Doubtful accounts)/Allowance for												
doubtful accounts reversal	10.18	(70.58)	(0.08)	-	-	-	(5.13)	-	11.53	77.66	16.50	7.08
Loss on devaluation in investments	-	-	(49.77)	-	-	-	-	-	-	-	(49.77)	-
Other expenses	-	-	(0.25)	-	-	-	-	-	-	-	(0.25)	-
Finance costs	(22.73)	(25.26)	(63.93)	(44.58)	(11.16)	(10.04)	(1.15)	-	19.11	17.00	(79.86)	(62.88)
Profit (Loss) sharing from												
investment in Joint venture	-	-	14.42	28.39	-	-	-	-	(8.15)	1.44	6.27	29.83
Income tax (expenses) revenue	(23.52)	(13.92)	(0.28)	1.82	(4.19)	(0.61)	-	-	9.40	29.11	(18.59)	16.40
Profit (loss) for the period	121.40	7.49	326.28	259.96	13.17	(8.59)	(6.07)	-	(39.37)	38.85	415.41	297.71

### 39. PROVIDENT FUND

The Company and subsidiaries established a contributory registered provident fund in accordance with the Provident Fund Act B.E. 2530

Under the fund regulation, the employees contribute monthly the amounts equivalent 3% - 10% of their basic salaries. The Company and subsidiaries contribute at the rates of 3%-10% of the employees basic salaries. The Company and subsidiaries appointed a fund manager to manage the fund in accordance with the terms and conditions prescribed in the Ministerial Regulation No. 2 (B.E. 2532) issued under the Provident Fund Act B.E. 2530.

On March 14, 2016, the Company and subsidiaries have amended the regulation of contribution to the provident fund. Employees pay contribution to the provident fund at rate 3% - 15% of their salary in each month and the Company and subsidiaries pay contribution at rate 3% - 10%.

The Company and subsidiaries paid contribution for the year ended December 31, 2017 and 2016 amounted to Baht 3,995,494.36 and Baht 3,931,286.15, respectively.

### 40. FINANCIAL INSTRUMENTS

The Company and subsidiaries are not engaged in the trading of any derivative financial instruments for speculative purposes.

#### 40.1 Liquidity Risk

Liquidity risk, or funding risk, is the risk that the Company and its subsidiaries will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

#### 40.2 Interest Rate Risk

Interest rate risk arises from the potential for future changes in the prevailing level of interest rates. The Company and its subsidiaries exposures to interest rate risk relates to loans from financial institutions. Since they are mainly Long-term loans, consequently, interest rate risks do not significantly affect the Company and its subsidiaries. In addition, they can negotiate with the loan creditor for better loan settlement conditions or refinancing with any new creditors for lower interest rate, in order to mitigate any potential risks.



#### 40.3 Credit Risk

The Company and its subsidiaries are exposed to credit risks mainly relating to their trade accounts receivable. However, the management has policies to provide adequate allowances for any possible losses that might be incurred in connection with their receivables.

#### 40.4 Exchange rate risk

The Company and subsidiaries exposed to exchange rate risk due to their purchasing construction materials denominated in foreign currencies which were entered into forward contract against exchange rate risk hedging. The contract period is not exceeded 1 year.

The Company and subsidiaries have financial assets and liabilities denominated in foreign currency as follows :

		Consolidated financial statements			
		Exchange rate per Baht			
		2017	2016	2017	2016
YEN		-	0.3139 - 0.3330	-	484,000,000.00
		Separate financial statements			
		Exchange rate per Baht			
		2017	2016	2017	2016
YEN		-	0.3139 - 0.3330	-	484,000,000.00

#### 40.5 Fair Value of Financial Instruments

The financial assets and liabilities include cash and cash equivalents, trade accounts receivable, short-term loan to, retention receivable, bank overdrafts and short-term loan from financial institution, trade accounts payable and other payables, loans, financial lease liabilities and retention payable. Their carried values approximate to their fair values.

### 41. COMMITMENTS AND CONTINGENT LIABILITIES

As at September 30, 2017, the Company and subsidiaries have commitments and contingent liabilities as follows:

#### 41.1 Thai Polycons Public Company Limited has commitments and contingent liabilities as follows.

41.1.1 The Company's obligation to provide guarantees to Banks. The total value of amount Baht 1,305.98 million, dividing into letter of guarantee for construction contracts of Baht 478.96 million, the purchase construction material issued to suppliers amount of Baht 5.00 million, retention amount of Baht 123.04 million, electricity usage amount of Baht 4.22 million, bidding by auction amount of Baht 95.77 million, advance payment for construction cost amount of Baht 598.99 million.

- 41.1.2 The Company has obligation on additional payment under hire of contractor agreement of Baht 639.08 million from total agreement value amount of Baht 1,925.33 million which was paid and recognized amount of Baht 1,285.22 million and cancelled agreement in the amount of Baht 1.03 million.
- 41.1.3 The Company has obligation on payment under operating leases total amount of Baht 0.60 million dividing into obligations to the age of no more than 1 year of amount Baht 0.45 million.
- 41.1.4 The Company is liable on payment for consulting for organization communication and Corporate Social Responsibility (CSR) amount of Baht 0.28 million.
- 41.1.5 The Company has filed the disputation to the Arbitrator as contentious case, black case No. 2/2552 required an employee make payment for damages claimed and such company has filed an objection by claiming indemnity from the Company. The Arbitrator has a rulings the Company to pay the Bath 67,324,685.08 including interest at the rate of 7.50% per annum. The Company recorded debt obligations in full and the Company is filing the petition to the Civil Court to revoke the Arbitrator's rulings. Meanwhile, the employee company has filed the petition to the Civil Court for the execution. The hirer company has filed a petition to Civil Court for legal execution. The Civil Court ordered the company to pay damage to a hirer including interest 7.50% per annum together with fee and lawyer fee amount of Baht 1,577,364.00. The Company has filed to appeal verdict at the Supreme Court and complaint to stay execution during appeal. On November 15, 2016, the Court ordered to cease legal execution but frozen bank account order is still effective by sending money amount of Baht 69,040,011.94 to Legal Execution Department on March 20, 24 and July 7, 2017 recorded as money secured at Legal Execution Department.
- 41.1.6 The Company recorded liabilities under lawsuits ordered by primary court to pay damage to a group of person filing litigation amount of Baht 152,600.00 with interest rate 7.50% per annum of principal form litigation date until fully paid and court fee. The Company is under filing appeal to the court.
- 41.1.7 The Company recorded liabilities under lawsuits ordered by primary court to pay damage to a proprietor amount of Baht 1,074,912.65 with interest rate 7.50% per annum of principal form litigation date until fully paid and court fee. The Company is under filing appeal to the court.
- 41.1.8 The Company has a contract to provide services to customers, which have not been recognized or operated in the amount of Baht 3,447.07 million.
- 41.1.9 The Company is liable on payment under hire of business development consultant agreement amount of Bath 0.40 million.
- 41.1.10 The Company is liable on payment under hire of labour consultant agreement amount of Bath 0.54 million.
- 41.1.11 The Company is liable on payment consulting service fee in price estimation and bidding the work amount of Baht 1.10 million.
- 41.1.12 The Company is liable on payment consulting fee in construction quality inspection amount of Baht 0.58 million.
- 41.1.13 The Company is liable on aval of promissory note Baht 39.84 million at bank.
- 41.1.14 The Company is liable on payment under agreement and the laws consultant amount of Baht 0.40 million.

- 41.1.15 The Company has obligation to pay hire contract for solving problem in misbehavior person who breaking the law amount Baht 0.72 million.
- 41.1.16 The Company has obligation to pay cleaning service agreement Baht 0.13 million.
- 41.1.17 The Company has obligation to pay consulting control service Baht 2.50 million.
- 41.1.18 The Company has obligation to pay consulting service Baht 1.12 million.
- 41.2 TPC Power Holdings Public Company Limited, a subsidiary of the Company, has commitments the following :
- 41.2.1 The company has a commitment to guarantee against credit facilities of Baht 500.00 million for Mahachai Green Power Company Limited, a jointly controlled entity. The guarantee is base on proportion of shareholding by Baht 230.00 million.
- 41.2.2 The company has commitments to guarantee against credit facilities of Baht 500.00 million for Maewong Energy Company Limited, a subsidiary, with the proportion of shareholding in the amount of Baht 425.00 million.
- 41.2.3 The company has commitment to guarantee credit facility amount of Baht 500.00 million for Patthalung Green Power Company Limited, a subsidiary, under percentage of shareholding within credit facility Baht 300.00 million.
- 41.2.4 The company has commitment to guarantee credit facility amount of Baht 500.00 million for Thungsung Green Company Limited, a subsidiary company, under percentage of shareholding within credit facility Baht 325.00 million.
- 41.2.5 The Company has commitment from being guarantor of credit line amount of Baht 500.00 million of Satun Green Power Company Limited, a subsidiary, by percentage of shareholding within credit line Baht 255.00 million.
- 41.2.6 The company has commitments to guarantee against credit facilities of Baht 281.62 million for Chang Raek Bio Power Company Limited.
- 41.2.7 The Company has commitment to pay from hiring construction contractor financial amount of Baht 25.15 million and already paid Baht 24.72 million. The remaining Baht 0.43 million must be paid.
- 41.2.8 The Company has obligation for guarantee credit card and other services at gasoline service station for 3 entities (subsidiary and controlled entity) Baht 1.00 million.
- 41.2.9 The Company has contingent liabilities in letter of guarantee for electricity usage Baht 0.05 guaranteed by Thai Polycons Public Company Limited.
- 41.3 Chang Raek Bio Power Company Limited, a subsidiary, has commitment as follows:
- The Company has contingent liabilities from bank issuance letter of guarantee amount of Baht 1.00 million secured by pledging land together with construction of the project as stated in note 19 and TPC Power Holding Public Company Limited.
- 41.4 Thungsung Green Company Limited, a subsidiary, has commitment as follows:
- 41.4.1 The Company has commitment from entering into hire of lawyer contract with the contract value amount of Baht 1.00 million which had already been paid Baht 0.50 .million and remaining Baht 0.50 million.

41.4.2 The company has contingent liabilities from bank issuance letter of guarantee for electricity usage with Provincial Electricity Authority amount of Baht 0.14 million secured by pledging land together with construction of the project as stated in note 19 and TPC Power Holding Public Company Limited.

41.5 Pattani Green Company Limited, a subsidiary, has commitment as follows:

41.5.1 The company has contingent liabilities from commercial bank issuance letter of guarantee against the compliance with agreement to buy and to sell in the amount of Baht 4.20 million in note 15.

41.5.2 The Company has commitment to hire a contractor for digging and filling soil with contract value amount of Baht 33.52 million which was paid amount of Baht 31.19 million and remaining balance to be paid amount of Baht 2.33 million.

41.5.3 The Company has obligation from to buy and to sell land agreement for power plant construction Baht 76.50 million which has already paid Baht 30.63 million and remaining balance to pay Baht 45.87 million.

41.5.4 The Company has obligation for hiring contractor for electricity system installation Baht 6.09 million which has not been paid yet.

41.5.5 The Company has obligation for hiring contractor Baht 10.08 million which has already paid Baht 0.56 million and remaining balance to pay Baht 9.52 million.

41.5.6 The Company has obligation for hiring in making environmental report Baht 1.10 million which has already paid Baht 0.77 million and remaining balance to pay Baht 0.33 million.

41.6 Phthalung Green Power Company Limited, a subsidiary, has commitment as follows:

41.6.1 The Company has obligation for hiring contractor space for fuel construction Baht 5.88 million which has already paid Baht 5.09 million and remaining balance to pay Baht 0.79 million.

41.6.2 The Company has contingent liabilities of letter of guarantee issued by Bank for electricity usage with Provincial Electricity Authority amount of Baht 1.20 million secured by land and construction and machinery of the project as stated in note. 19 and TPC Power Holdings Public Company Limited.

41.7 Satun Green Power Company Limited, a subsidiary of Thai Polycons Public Company Limited, has commitment as follows:

41.7.1 The company has contingent liabilities from bank issuance of letter of guarantee in compliance with the agreement to buy and to sell in the amount of Baht 1.84 million, guaranteed by fixed deposits in note 15.

41.7.2 The Company has commitment from hiring a consultant for electricity plant construction with contract amount of Baht 2.04 million which was paid amount of Baht 1.80 million and the remaining balance to be paid amount of Baht 0.24 million.

41.7.3 The Company has obligation for hiring contractor for testing system Baht 5.50 million which has already paid Baht 2.57 million and remaining balance to pay Baht 2.93 million.

41.8 Maewong Energy Co., Ltd., a subsidiary, has commitment as follows.

41.8.1 The Company has contingent liabilities of letter fo guarantee for electricity usage Baht 1.20 million guarantee by fixed deposit in note 15.

- 41.8.2 The Company has obligation for hiring in managing and environment conservation service Baht 0.31 million which has already paid Baht 0.21 million and remaining balance to pay Baht 0.10 million.
- 41.8.3 The Company has obligation for purchasing energy crop Baht 13.65 million which has already paid Baht 4.55 million and remaining balance to pay Baht 9.09 million.
- 41.8.4 The Company has obligation for insurance premium for assets Baht 1.55 million which has not been paid.
- 41.9 TPC Power 1 Co., Ltd., a subsidiary, has commitment as follows:
- 41.9.1 The company has contingent liabilities from commercial bank issuance letter of guarantee against the compliance with agreement to buy and to sell electricity in the amount of Baht 4.95 million in note 15.
- 41.9.2 The Company has commitment from purchasing land for electricity plant construction amount of Baht 25.32 million which was paid amount of Baht 3.75 million and the remaining balance to be paid amount of Baht 21.57 million.
- 41.9.3 The Company has commitment to hire a contractor for digging and filling soil with contract value amount of Baht 8.74 million which was paid amount of Baht 7.65 million and the remaining balance to be paid amount of Baht 1.10 million.
- 41.9.4 The Company has obligation for consulting in making electricity sales report (COP) Baht 0.50 million which has already paid Baht 0.47 million and remaining balance to pay Baht 0.03 million.
- 41.9.5 The Company has obligation for hiring contractor Baht 0.50 million which has already paid Baht 0.15 million and remaining balance to pay Baht 0.35 million.
- 41.10 TPC Power 2 Co., Ltd., a subsidiary, has commitment as follows:
- 41.10.1 The company has contingent liabilities from commercial bank issuance letter of guarantee against the compliance with agreement to buy and to sell electricity in the amount of Baht 4.95 million in note 15.
- 41.10.2 The Company has obligation from to buy and to sell land for power plant construction Baht 17.89 million which has already paid Baht 3.75 million and remaining balance to pay Baht 14.14 million.
- 41.10.3 The Company has commitment to hire a contractor for digging and filling soil with contract value amount of Baht 14.36 million which was paid amount of Baht 6.66 million and the remaining balance to be paid amount of Baht 7.70 million.
- 41.10.4 The Company has obligation for consulting in making electricity sales report (COP) Baht 0.50 million which has already paid Baht 0.47 million and remaining balance to pay Baht 0.03 million.
- 41.10.5 The Company has obligation for hiring contractor Baht 0.39 million which has already paid Baht 0.12 million and remaining balance to pay Baht 0.27 million.
- 41.11 TPC Power 5 Co., Ltd., a subsidiary, has commitment as follows:
- 41.11.1 The company has contingent liabilities from commercial bank issuance letter of guarantee against the compliance with agreement to buy and to sell electricity in the amount of Baht 3.15 million in note 15.
- 41.11.2 The Company has obligation for consulting in making electricity sales report (COP) Baht 0.50 million which has already paid Baht 0.47 million and remaining balance to pay Baht 0.03 million.

- 41.12 TPC Power 6 Co., Ltd. a subsidiary, has contingents liabilities for letter of guarantee from Bank to comply with filing for selling electricity contract Baht 9.00 million guaranteed by Thai Polycons Public Company Limited.
- 41.13 TPC Asset Company Limited, a subsidiary of the company, has obligation from bank issuance of guarantee 1 issue amount of Baht 10.00 million against guarantee the utilities maintenance.
- 41.14 TPCI Joint Venture, a subsidiary of the Company has commitment with a commercial bank issuance for one issues of letter of guarantee a comprise the guarantee construction contract with the employer amount of Baht 35.91 million.
- 41.15 TPCESG Joint Venture, a subsidiary of the Company has commitment with a commercial bank issuance for one issue of letter of guarantee a comprise the guarantee construction contract with the employer amount of Baht 0.76 million.

#### 42. RIGHT AND PRIVILEGES FROM INVESTMENT PROMOTION

Subsidiaries were granted certain rights and privileges in accordance with the promotional certificate

<u>Company</u>	<u>The promotional certificate No.</u>
Chang Raek Bio Power Co., Ltd.	1767(1)/2555
Maewong Energy Co., Ltd.	2707/2556
Thungsung Green Co., Ltd.	2141(1)/2557
Phathalung Green Power Co., Ltd.	58-1871-0-00-2-0
Satun Green Power Co., Ltd.	58-1870-0-02-2-0

Subsidiaries received promotional certificate with the Investment Promotion Act B. E. 2520, the rights and privileges as follows:

- Exemption of import duty on machinery as approved by the Board of Investment.
- Exemption of payment of corporate income tax on net profit derived from promoted activity for the period of 8 years from the date of income earnings of Chang Raek Bio Power Company Limited, on March 15, 2013, Maewong Energy Company Limited, on October 12, 2015, and Thungsung Green Company Limited on October 3, 2016 and Phathalung Green Power Co., Ltd. on July 7, 2017 and Satun Green Power Company Limited are under construction and non-operations including income from by products distribution.
- In the case where a loss has been incurred during the period of receiving exemption of corporate income tax. The promoted company is granted permission to deduct such annual loss from net profits accrued after the expiration of the period of exemption of corporate income tax for a period of not more than 5 years from the expiry of such period.
- Exemption on dividends derived from the promoted activity granted an exemption of corporate income tax shall be exempted for computation of taxable income throughout the period of the promoted receives the exemption of corporate income tax.
- Fifty percent reduction of the normal corporate income tax rate on the profits from the promoted activity for a period of 5 years after the expiry of the corporate income tax exemption period. Exemption Phathalung Green Power Company Limited Fifty percent reduction of the normal corporate income tax rate.
- Double deduction from taxable income of transportation, electricity and water costs for the period of 10 years from the date of income earnings the date on which the income from such operations. Except Satun Green Power Company Limited has been established for more than fifteen years.

- Deduction from investment at 25 percent of the project's infrastructure installation or construction cost. This deduction is additional to normal depreciation.

The Company and subsidiaries have revenues and expenses granted from investment promotion for the year ended December 31, 2017 and 2016 as follows:

	Baht		
	Consolidated financial statements		
	2017		
	BOI	NON BOI	Total
Revenues from construction services	-	2,063,653,192.91	2,063,653,192.91
Revenues from sales of electric	1,092,675,132.68	-	1,092,675,132.68
Revenues from sales of real estate	-	258,180,000.00	258,180,000.00
Revenues from sales and service	-	17,493,565.48	17,493,565.48
Other income	-	27,998,051.00	27,998,051.00
Total revenues	1,092,675,132.68	2,367,324,809.39	3,459,999,942.07
Cost of sales of electricity	(580,698,454.30)	(2,028,297,397.40)	(2,608,995,851.70)
Distribution costs and administrative expense	(18,471,074.81)	(291,645,380.03)	(310,116,454.84)
(Doubtful accounts) / Reversal allowance			
for doubtful accounts	-	16,490,746.18	16,490,746.18
Loss on devaluation in investments	-	(49,770,252.14)	(49,770,252.14)
Finance costs	(62,356,191.30)	(17,506,806.81)	(79,862,998.11)
Profit (Loss) sharing from investment in joint venture	27,933,052.08	(21,664,000.53)	6,269,051.55
Total expenses	(633,592,668.33)	(2,392,393,090.73)	(3,025,985,759.06)
Profit (Loss) before income tax	459,082,464.35	(25,068,281.34)	434,014,183.01
Baht			
Consolidated financial statements			
2016			
	BOI	NON BOI	Total
Revenues from construction services	-	1,922,278,870.15	1,922,278,870.15
Revenues from sales of electric	658,163,938.34	-	658,163,938.34
Adder subsidy income	14,233,404.00	-	14,233,404.00
Revenues from sales of real estate	-	113,800,000.00	113,800,000.00
Other income	-	55,798,918.14	55,798,918.14
Total revenues	672,397,342.34	2,091,877,788.29	2,764,275,130.63
Cost of sales of electricity	(345,311,767.97)	(1,852,567,022.69)	(2,197,878,790.66)
Distribution costs and administrative expense	(12,679,903.61)	(246,445,618.72)	(259,125,522.33)
(Doubtful accounts) / Reversal allowance			
for doubtful accounts	-	7,079,162.74	7,079,162.74
Finance costs	(43,108,771.38)	(19,767,263.65)	(62,876,035.03)
Profit (Loss) sharing from investment in joint venture	13,772,423.42	16,062,553.57	29,834,976.99
Total expenses	(387,328,019.54)	(2,095,638,188.75)	(2,482,966,208.29)
Profit (Loss) before income tax	285,069,322.80	(3,760,400.46)	281,308,922.34

#### 43. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it has an appropriate financial structure and preserves the ability to continue their business as a going concern.

As at September 30, 2017, debt to equity ratio in the consolidated financial statements is 1.06 : 1 (the separate financial statements : 1.42 : 1).

#### 44. WORK UNDER CONSTRUCTION CONTRACTS

	Baht	
	Consolidated financial statements	
	2017	2016
Work under construction contracts	6,954,877,275.81	11,954,619,407.99
Recognized construction income during the period	2,055,565,420.19	1,905,431,629.05
Realized cost of construction adjusted by gain or loss	7,050,350,232.98	9,436,496,026.01
Deposits received in advance	247,297,114.29	344,588,236.07
Claim on construction work	693,663,381.55	794,984,250.14

	Baht	
	Separate financial statements	
	2017	2016
Work under construction contracts	10,070,774,253.82	14,251,419,407.99
Recognized construction income during the period	2,500,908,016.70	2,846,482,717.49
Realized cost of construction adjusted by gain or loss	8,790,845,214.25	11,232,376,653.77
Deposits received in advance	266,460,624.29	478,538,981.34
Claim on construction work	724,715,022.82	826,285,459.99



#### 45. OTHER ISSUES

45.1 The Company has filed judge to Thai Arbitration Institute of dispute lawsuit black case no. 79/ 2556 for a proprietor to pay damages Baht 50.82 million and such company filed objection and requested the Company to pay damages compensation Baht 157.16 million. On May 30, 2017, Arbitrator has final order such proprietor to pay Baht 17,936,922.75 to the Company. The Company already received payment.

45.2 The Company has filed litigation to a proprietor Black case no. Por 293/2556 and Red case no. Por 1138/2557. The Primary Court has judged such company to pay money amount of Baht 58,702,446.58 with interest 7.50% per annum and filing appeal was done against primary court judgment . The Primary Court has judged such company to pay money with interest 7.50% per annum since litigation date until fully paid and court fee. The case is being considered by the Court of Appeal 1. The Company, however, has provided allowance for doubtful accounts amount of Baht 46.56 million.

45.3 On September 3, 2015 many peoples of villagers have jointly entered a charge the government agency to the Administrative Court Nakhon Si Thammarat against revoke the license for factory operation and permission for electricity plant construction of Thungsung Green Company Limited since the license is issued wrongfully which may be arise the environment impacts. The Court has tried and deems that the judgment or decision relating to this case may effect to Thungsung Green Company Limited. Nevertheless, the Court ordered Thungsung Green Company Limited to be a interpleader in the action of prosecuted person which is required as the 3rd prosecuted person on November 14, 2015. At present, the case is still pending at the court.

#### 46. EVENTS AFTER REPORING PERIOD

46.1 On January 9, 2018, TPC Power Holding Plc .additionally made payment for 31.85 million common shares of Pattani Green Co.,Ltd. Baht 1.50 each total amount of Baht 47.77 million.

46.2 The subsidiaries of TPC Power Holding Plc. passed resolution to pay dividend as follows.

46.2.1 According to the Board of Director meeting no.1/2018 held on January 22, 2018, Chang Raek Bio Power Co.,Ltd. , a subsidiary, passed resolution to approve interim dividend payment Baht 1.50 per share total amount of Baht 30.00 million and set aside legal reserve 5 % of net profit for the period ended December 31, 2017 amount of Baht 0.54 million. Dividend was already paid on February 23, 2018.

46.2.2 According to the Board of Director meeting no.1/2018 held on January 22, 2018, Maewong Energy Co.,Ltd. , a subsidiary, passed resolution to approve interim dividend payment Baht 5.00 per share total amount of Baht 10.00 million and set aside legal reserve 5 % of net profit for the period ended December 31, 2017 amount of Baht 2.67 million. Dividend was already paid on February 23, 2018.

46.2.3 According to the Board of Director meeting no.1/2018 held on February 21, 2018, Thungsung Green Co.,Ltd. , a subsidiary, passed resolution to approve interim dividend payment Baht 2.50 per share total amount of Baht 5.00 million and set aside legal reserve 5 % of net profit for the period ended December 31, 2017 amount of Baht 3.65 million. Dividend will be paid on March 22, 2018.

46.3 According to the Board of Director meeting no.1/2018 held on January 22, 2018, PA Waste and Energy Co.,Ltd, a subsidiary, passed resolution to decrease par value Baht 100.00 per share of registered share capital to be Baht 55.00 and paid back to each shareholder amount of invested share.

46.4 According to the Board of Director meeting no.1 /2018 held on February 21, 2018, TPC Power Holding Plc., a subsidiary company passed resolution to propose in the ordinary shareholder meeting to approve dividend payment for the year 2017 Baht 0.0563 per share amount of Baht 22.57 million and dividend will be paid to shareholders on May 24, 2018. Such dividend payment depends on the approval of the ordinary shareholder meeting which will be held on April 25, 2018.

46.5 According to the Board of Director meeting no.1 /2018 held on February 26, 2018, the Company passed resolution to propose in the ordinary shareholder meeting to approve dividend payment for the year 2017 Baht 0.05 per share amount of Baht 28.35 million and dividend will be paid to shareholders on May 24, 2018. Such dividend payment depends on the approval of the ordinary shareholder meeting which will be held on April 25, 2018.

#### **47. APPROVAL OF INTERIM FINANCIAL STATEMENTS**

These financial statements were approved and authorized for issue by the Company's Board of Directors on February 26, 2018.



ไทยโพลีคอนส์  
Thai Polycons



**บริษัท ไทยโพลีคอนส์ จำกัด (มหาชน)**

**THAI POLYCONS PUBLIC COMPANY LIMITED**

2,4 Soi Prasert-Manukitch 29 Yak 8, Prasert-Manukitch Rd.,  
Chaorakhehua, Ladprao, Bangkok 10230.

TEL : 02-942-6491-6, 02-943-2930-8 Fax : 02-942-6497

[www.thaipolycons.co.th](http://www.thaipolycons.co.th)