



SAKOL ENERGY PUBLIC COMPANY LIMITED



## Annual Report 2017

FOCUS ON BECOMING THE LEADER IN PROVIDING  
THE ENERGY SERVICES OF THE COUNTRY.

# Vision

Sakol Energy Public Company Limited

Focus on becoming the leader in providing the energy services of the country.



## To society and public

Be the organization with the responsibilities to the environment and communities



## To shareholders

Create good returns and expand the business to continuously and sustainably grow



## To employees

Support training and development continually along with the reasonable and fair welfares as well as paying most attention to the safety



## To customers

Focus on creating the satisfaction to the customers by maintaining the high standards of service provision full of innovation



## To creditors

Focus on the conformity to the conditions of contract towards the creditors with honesty



## To trading partners

Focus on building the relationship and reliability to the trading partners for sustainable business



## To competitors

Support and promote the free and fair competition policy by conforming to the good framework of competition, having the ethics and conform to the provisions of law

# CONTENT

2

Message from Chairman

3

Message from Chief Executive Officer

4 - 5

Report of Audit Committee

6 - 12

Board DetailsSakol Energy  
Public Company Limited

## Past of 1

### MANAGE A BUSINESS

14 - 23

Policy and Nature of  
Business

24 - 46

Nature of Business

47 - 55

Risk Factors

55 - 58

General Information  
and Other Important  
Information

## Part of 3

### Financial position And performance.

125 - 132

Key financial information

133 - 151

Management Discussion and Analysis:  
MD&A

137 - 210

Financial statements and  
Independent Auditor's Report

## Past of 2

### Management and Corporate Governance

60 - 63

Securities and Shareholders Information

64

Policies on dividend payment

65 - 78

Organization Chart

79 - 98

Policies on good corporate governance

99 - 108

Internal Control and Risk Management

109 - 110

Internal Control and Risk Management

111 - 123

Related Party Transactions





## Message from Chairman



Message from the Chairman, Emeritus. Prof. Dr. Direk Lavansiri

The year 2017 is a year of growth for Sakol Energy Public Company Limited as it listed its shares on the Stock Exchange of Thailand on 22 November 2017. The Company's shares received much interests from retail and institutional investors. The Company follows its main strategy for continuous development and expansion to other renewable energy business. This is to become a part in building the society and for sustainable development in accordance with the Company's vision.

"To become the country's leading energy service provider."

Apart from conducting business, the Company adheres to ethics, good corporate governance, and conducts its business in good faith. The Company also focuses on corporate social responsibilities and being environmentally-friendly business.

On behalf of the Board of Directors, the management team and all employees of the Company, I express gratitude to our shareholders, business partners, financial institutions, relevant public and private sectors for their continued support and trust in the Company. I thank the management team and all employees for their devotion in achieving the Company's objectives. The Company's commitment is to operate the business innovatively and honestly. This will create a platform for sustainable growth in the business and generate stable return to all shareholders and stakeholders.

A blue ink signature of Prof. Dr. Direk Lavansiri.

( Prof. Emeritus Dr. Direk Lavansiri )  
President of Board of Directors



## Message from Chief Executive Officer

“Increase the value of existing business and develop new business”

Dear All Shareholders,

In the year 2017, the significant change and development of the Company was the listing of shares on the Stock Exchange of Thailand. It is considered an important step of the Company, which will enhance growth and develop sustainable business.

Sakol Energy Public Company Limited is an operator of Private Natural Gas Mother Stations with the highest capacity in the country (over 800,000 kilograms per day). NGV is the cheapest fuel for vehicles and is currently popular and widely used among logistics service providers and commercial transports in Thailand. In addition, rising oil price during the year 2016 – 2017 is a positive factor that will cause an increase in demand for NGV. The Company has constructed eight additional filling stations in Saraburi Province and started operation since 8 March 2018 in order to accommodate the increase in demand for NGV in 2018.

In addition, the Company determines to expand its business to other renewable energy business in accordance with the Company’s strategy. The investment in new business and business expansion will create growth and generate stable revenue stream to the Company. The Company thoroughly conducts feasibility study on projects to gain utmost benefits to the shareholders.

I and all of the Company’s executives are determined and confident in our knowledge, capabilities, and long-term experience in developing a successful business, both existing and new business, and generating profits and better return to the shareholders. I also emphasize to all of our employees that “we must work hard and harder”. Thank you.



(Mr. Chutchai Sumethchotimetha)

CEO



## Report of Audit Committee

The Audit Committee of Sakol Energy Public Company Limited has 4 directors consisting of (1) Pol. Gen. WorapongChewprecha, the Chairman of the Audit Committee (2) Mr. WitoonSimachokedee, the member of the Audit Committee (3) Mrs. RawitthaPongnuchit, the member of the Audit Committee and (4) Mr. AttawootPapangkorn, the member of the Audit Committee which are the independent director who has qualification in accordance with the regulations and good practice of the Audit Committee of the Stock Exchange of Thailand. At present, the Audit Committee performs its duties within the scope of duties and responsibilities as assigned by the Board of Directors which is in line with the regulations of the Stock Exchange of Thailand. In the accounting period of 2017, the meeting of the Audit Committee held 6 times where the auditor and internal auditor attended the meeting, the details can be summarized as follows:

1. Review of quarter financial statements and annual financial statement for the year ended 2017 of the Company and the consolidated financial statement with internal audit department and auditor. The Audit Committee asked the auditor on the accuracy and completeness of financial statements, the adjustment of significant accounting entries including forecasting which impacts the financial statements, the appropriation and sufficiency of the methodology of accounting records and scope of audit, disclosure of information accurately and completely and independency of the auditor to ensure that the preparation of financial statements is in accordance with the laws and accounting standards and reliable and within schedule including it has disclose information sufficiently for the benefit of any persons who use the financial statements.

2. Review and provide opinion on the related party transactions or transactions that may have conflict of interest including disclosure of information in accordance with the regulations of the Stock Exchange of Thailand and the Office of the Securities and Exchange Commission of which the auditor has disclosed information relating to financial statements and footnote to the financial statements and the Audit Committee was of the same view with the auditor and such transactions are reasonable and the information have been disclosed accurately and completely.

3. Review of internal control system and internal audit for evaluation of sufficiency and appropriation and efficiency of the internal control system by considering of the internal audit report and assessment form on sufficiency of the Company. In year 2017, the Company did not find any significant mistakes. The Company had appropriate measures to protect its assets and also disclosed information accurately, completely and reliable. Therefore, the Audit Committee is of the view that the Company has the internal control system significantly, appropriately and efficiently.

In addition, the Audit Committee has reviewed plans, strategies, annual audit's plan and long-term audit's plan, implementation according to plan, audit's result of the internal audit firm by providing suggestions and following up the revision of significant matters to ensure the good corporate governance and sufficiency of internal control.

4. Select and nominate auditor and determine audit fees for the year 2017 to propose to the Board of Directors to subsequently propose it for approval by the 2017 Annual General Meeting of shareholders of which the Audit Committee has considered the credentials, independency and appropriation of audit fees and has resolved to appoint KPMG Phoomchai Audit Limited to act as the auditor of the Company for the year 2017 with the annual audit fees of Baht 2,160,000.

The Audit Committee was of the view that the auditor which was appointed for the accounting period of last year, was the auditor who has performed its duties with knowledges, professional skills and in accordance with the regulations of the Office of the Securities and Exchange Commission. By conclusion, the Audit Committee has performed its duties and responsibilities as set out in the Charter of Audit Committee by using knowledges, skills, duty of care, and independency and providing recommendations and suggestions creatively for the benefits of stakeholders equally and the Audit Committee was of the view that the financial statements of the Company were accurate, reliable and in accordance with the general accounting standards and the Company complied with the laws and terms and conditions relating to the business including good corporate governance, sufficiency of risk management and appropriation and effectiveness of internal control system and internal audit.

On behalf of the Audit Committee



(Pol. Gen. WorapongChewprecha)

Chairman of Audit Committee



## Board Details

# Sakol Energy Public Company Limited





**Prof. Emeritus Dr. Direk Lavansiri**

President of Board of Directors / Independent director

**AGE**

69

#### **Educational qualifications**

- Ph. D. of Civil Engineering, Oregon State University
- Master of Civil Engineering, University of Washington
- Bachelor of Engineering, Civil Engineer, Chulalongkorn University
- Diploma of Thailand National Defense College (39th Generation) Training profile
- Senior Executive Program, 15th Generation, 2001, Sasin Graduate Institute of Business Administration of Chulalongkorn University
- Higher Diploma in the Politics and Administration in the democratic for the top executives, 7th Generation, King Prajadhipok's Institute for the top executives.
- Director Certification Program, (76th Generation), 2006, Thai Institute of Directors
- Director Accredited Program (DAP), 56th Generation, 2006, Thai Institute of Directors

#### **The Company's Security Holding Proportion<sup>(%)</sup>**

None

#### **Family Relationship with Directors and Executives** none

#### **Work experiences in the past 5 years**

- |                   |  |
|-------------------|--|
| April, 2017       | - President of Board of Directors        |
| - now             | Independent director                     |
| May, 2008         | - Prof. Emeritus, Faculty of Engineering |
| - now             |  |
| February,         | - President of Energy Regulatory         |
| 2008 – July, 2014 | Committee                                |
|                   | Sakol Energy Public Company Limited      |



**Mr. Chutchai Sumethchotimetha**

Director / CEO

**AGE**

64

#### **Educational qualifications**

- Master degree (Public Administration) National Institute of Development Administration Training profile
- Director Accredited Program (DAP), 132nd Generation, 2016, Thai Institute of Directors
- Certificate of Senior Executives of Justice Process, 11th Generation, Thailand Justice Institute

#### **The Company's Security Holding Proportion<sup>(%)</sup>**

289,460,803(31.12%)

#### **Family Relationship with Directors and Executives** Husband of Mrs. Aree Sumethchotimetha

#### **Work experiences in the past 5 years**

- |   |  |
|---|--|
| April, 2009 (before trans-<br>form) – now | Director, CEO<br>Sakol Energy Public Company Limited |
| September, 1984 – now                     | Director<br>Thansuwan Co., Ltd.                      |
| July, 2002 – now                          | Director<br>Thanthanakom Co., Ltd.                   |
| February, 2007 – now                      | Director<br>Trans Group Co., Ltd.                    |
| May, 2013 – now                           | Director<br>Thai Biogas Technology Co., Ltd.         |
| January, 2014 – now                       | Director<br>CSK Inventory Services Co., Ltd.         |
| March, 2014 – November, 2017              | Director<br>Thai Trans Engineer Co., Ltd.            |
| March, 2014 – now                         | Director<br>TC Power Resources Co., Ltd.             |
| March, 2014 – now                         | Director<br>CSK West Recycling Co., Ltd.             |
| September, 2014 – now                     | Director<br>SK 15 Co., Ltd.                          |
| October, 2014 – now                       | Director<br>Sakol Energy Biomass Power 15 Co., Ltd.  |
| March, 2015 – November, 2017              | Director<br>Trans Solar Energy Co., Ltd.             |
| June, 2015 – November, 2017               | Director<br>Chamchuri 44 Design Co., Ltd.            |



**Mrs. Aree Sumethchotimetha**

**Director / Senior Deputy CEO**

**AGE**  
63

**Educational qualifications**

- Master degree (Faculty of Political Science) Ramkhamhaeng University
- Director Accredited Program (DAP), 132nd Generation, 2016, Thai Institute of Directors

**The Company's Security Holding Proportion<sup>(%)</sup>**  
206,756,858 (22.23%)

**Family Relationship with Directors and Executives**  
Wife of Mr. Chutchai Sumethchotimetha

**Work experiences in the past 5 years**

February, 2010 (before transform) – now	- Director, Senior Deputy CEO Sakol Energy Public Company Limited
September, 1984 – now	- Director Thansuwan Co., Ltd.
July, 2002 – now	- Director Thanthanakom Co., Ltd.
July, 2003 – now	- Director T Line Transport Co., Ltd.
February, 2007 – now	- Director Trans Group Co., Ltd.
July, 2012 – now	- Director PTC Holding Co., Ltd.
May, 2013 – now	- Director Thai Biogas Technology Co., Ltd.
February, 2014 – now	- Director N 15 Technology Co., Ltd.
March, 2014 – now	- Director B.P. 15 Co., Ltd.
September, 2014 – now	- Director SK 15 Co., Ltd.
October, 2014 – now	- Director Sakol Energy Biomass Power 15 Co., Ltd.
March, 2015 – November, 2017	- Director CAN 145 Co., Ltd.
January, 2016 – now	- Director Thansuwan Table Tennis Club Co., Ltd.



**Mr. Thanapon Sumethchotimetha**

**Director / Managing Director**

**AGE**  
36

**Educational qualifications**

- Bachelor's Degree (International Marketing)ournemouth University
- Director Accredited Program (DAP), 127th Generation, 2016, Thai Institute of Directors

**The Company's Security Holding Proportion<sup>(%)</sup>**  
930,661 (0.10%)

**Family Relationship with Directors and Executives**  
Son of Mr. Chutchai and Mrs. Aree Sumethchotimetha and Husband of Miss Natthaphatsorn Jiamwjitkul

**Work experiences in the past 5 years**

February, 2010 (before transform) – now	- Director, Managing Director Sakol Energy Public Company Limited
June, 2012 – now	- Director PTC Holding Co., Ltd.
November, 2013 – now	- Director CSK Inventory Co., Ltd.
February, 2014 – now	- Director N15 Technology Co., Ltd.
September, 2014 – now	- Director SK15 Co., Ltd.
October, 2014 – now	- Director Sakol Energy Biomass Power 15 Co., Ltd.





**Miss Natthaphatsorn Jiamwijitkul**

**Director / Chief Financial Officer / Recruitment and Remuneration Committee**  
AGE  
32

#### Educational qualifications

- Bachelor of Business Administration (Finance) Thammasat University
- Training profile
- Director Accredited Program (DAP), 127th Generation, 2016, Thai Institute of Directors
- Young CFO Certification Program, 1st Generation, Federation of Accounting Professions
- Certification course, ISO 9001:2008 Internal Quality Audit / TIS 18001 : 2542 Internal Quality Audit, 2010 ACS Registrars
- Certification course, Safety Officer at Executive Level, 2010, Safety and Health at Work Promotion Association (Thailand)
- Certification course, Business Continuity Management to Amata, 2013, Training Institutions Entraining
- Certification course, English for Communication Department, Department of Skill Development
- Certification course, Personality development Community Arts Speaking, 2015, Thammasat University, Office of Social Promotion and Administration
- Certification course, (Feasibility Study) 4th, 2017 THAMMASAT BUSINESS SCHOOL, Thammasat University
- Certification course, Financial Statement for Directors - FSD 32nd, 2017, Thai Institute of Directors (IOD)
- Certification course, ISO 9001:2008 ISO 14001:2004 and OHSAS 18001:2007 Integrated Management System and Combined Audit, 2017 Value Added Consulting Co., Ltd.
- Certification course, Tax Management for Entrepreneur ๓ 2017 School of TAX
- Certification course, Board Nomination and Compensation Program - BNCP ๓ 2017 Thai Institute of Directors (IOD)

**The Company's Security Holding Proportion<sup>(%)</sup>**  
- None -

**Family Relationship with Directors and Executives**  
Wife of Mr. Thanapon Sumethchotimetha

#### Work experiences in the past 5 years

November, 2015 - Director, Assistant CEO, Recruitment and (before transform) - Remuneration Committee  
now Sakol Energy Public Company Limited



**Mr. Jakkraphong Sumethchotimetha**

**Director / Chief Operating Officer / Company's secretary**  
AGE  
32

#### Educational qualifications

- Master in International Marketing (MA), London Metropolitan University, London, UK
- Training profile
- Director Accredited Program (DAP), 132nd Generation, 2016, Thai Institute of Directors
- Driving Strategic Success with IT Governance (ITG) 3/2016 Generation, Thai Institute of Directors
- Anti-Corruption Practice Guide (ACPG) 34/2016 Generation, Thai Institute of Directors
- Certificate program of new executives for peaceful preservation, 1st Generation, Royal Police Cadet Academy
- Certificate of Business Development Project KTB-MMS Customer, 2nd Generation, Krungthai Public Company Limited

#### Training profile

**The Company's Security Holding Proportion<sup>(%)</sup>**  
930,661 (0.10%)

**Family Relationship with Directors and Executives**  
Son of Mr. Chutchai and Mrs. Aree Sumethchotimetha

#### Work experiences in the past 5 years

November, 2015 (before transform) - now	- Director, Chief Operating Officer - Company's secretary Sakol Energy Public Company Limited
April, 2012 - now	- Director Trans Energy Co., Ltd.
June, 2012 - now	- Director PTC Holding Co., Ltd.
February, 2014 - now	- Director N15 Technology Co., Ltd.
March, 2014 - November, 2017	- Director Thai Trans Engineering Co., Ltd.
March, 2014 - now	- Director B.P.15 Co., Ltd.
March, 2015 - November, 2017	- Director CAN145 Co., Ltd.
March, 2015 - November, 2017	- Director Trans Solar Energy Co., Ltd.
January, 2016 - now	- Director Thansuwan Table Tennis Club Co., Ltd.



**Mrs. Thanipa Puangjampa**

**Director**

**AGE**  
56

**Educational qualifications**

Educational qualifications

- Master degree (Public and Private Sectors Management Program) National Institute of Development Administration

Training profile

- Director Accredited Program (DAP), 134th Generation, 2017, Thai Institute of Directors
- Work experiences in the past 5 years

**The Company's Security Holding Proportion<sup>(%)</sup>**  
- None -

**Family Relationship with Directors and Executives**  
- None -

**Work experiences in the past 5 years**

October, 2015 (before transform) – now	- Director Sakol Energy Public Company Limited
October, 2007 - now	- Director T.S. Palm Oil Co., Ltd.
September, 2008 - now	- Director Thai Alternative Energy Group Co., Ltd.
July, 2010 – now	- Director Global Palm Oil Co., Ltd.
August, 2013 – now	- Director Sunny Diva Co., Ltd.
September, 2014 – now	- Director Global Inter Co., Ltd.
October, 2014 - now	- Director The Lofty Warehouse Co., Ltd.
November, 2014 - now	- Director SK15 Co., Ltd.
August, 2015 - now	- Director Sakol Energy Biomass Power 15 Co., Ltd.
November, 2015 - now	- Director Global Refinery Co., Ltd.
November, 2015 - now	- Director Don Sak Ville Co., Ltd.
	- Director GI Green Power Co., Ltd.
	- Director GI Green Palm Oil Co., Ltd.



**Pol. Gen. Worapong Chewprecha**

**Independent director / President of Audit Committee**

**AGE**  
64

**Educational qualifications**

- Master degree (Public Administration), Honored, National Institute of Development Administration
- Bachelor of Public Administration, Royal Police Cadet Academy, 30th Generation

Training profile

- Director Certification Program (DCP), 218th Generation, 2016, Thai Institute of Directors
- Program of administrator in the higher level of justice process, 14th Generation, Thailand Justice Institute
- National Defense Program, Thailand National Defense College, 45th Generation
- Chief of Staff Program, Program of 67th, Command and General Staff College
- General Program, Military Police
- Lieutenant Program, Cavalry

**The Company's Security Holding Proportion<sup>(%)</sup>**  
- None -

**Family Relationship with Directors and Executives**  
- None -

**Work experiences in the past 5 years**

November, 2015 (before transform) – now	- Independent director President of Audit Committee Sakol Energy Public Company Limited
February, 2009 – now	- Director Silver Shield Public Company Limited
2015 – now	- Vice President of Committee of Country Legal Development Reform and Justice Procedure Enforcement, National Reform Steering Assembly
2013-2015	- Deputy Commissioner-General
2012-2013	- Assistant Commissioner-General, Consultant (SorBor 10)



**Dr. Witoon Simachokedee**

Independent Director / Audit Committee

AGE  
64

**Educational qualifications**

- Doctoral Degree, Honorable Ph. D. of Engineering in Safety Engineering, Kasetsart University
- Doctoral Degree, Ph. D. of Public Administration (Public and Private Sector Management), Ramkhamhaeng University
- Doctoral Degree, Honorable Ph. D. of Engineering in Safety Technology Engineering and Occupational Health, Suan Sunandha Rajabhat University
- Doctoral Degree, Honorable Ph. D. of Science, King Mongkut's University of Technology North Bangkok
- Master of Business Administration, Thammasat University
- Bachelor of Law, Thammasat University
- Bachelor of Engineering (Electrical Engineering), Kasetsart University
- Diploma of Thailand National Defense College (46th Generation)
- Certificate of executive for higher level of justice process, 13th generation, Justice College
- Certificate of Politics and Administration in the Democratic System for the Top Executives, 11th Generation, King Prajadhipok's Institute
- Training profile
- Director Certification Program (DCP) 115th, 2009, Thai Institute of Directors
- Financial Statements for Directors (FSD) 4th, 2009, Thai Institute of Directors
- Role of the Chairman Program (RCP) 23rd, 2010, Thai Institute of Directors Thai Institute of Directors

**The Company's Security Holding Proportion<sup>(%)</sup>**

- None -

**Family Relationship with Directors and Executives**

- None -

**Work experiences in the past 5 years**

- |  |  |
|--|--|
| November, 2015<br>(before transform) – now<br>Current position | - Independent Director, Audit Committee<br>Sakol Energy Public Company Limited   |
| Previous public position                                       | - President of Kasetsart University Alumni under Royal Patronage<br>- President of Sustainable Resource Management Foundation Commission (3R Foundation)<br>- President of Business and Industry Operation Development Foundation Commission<br>- Previous public position<br>- Permanent Secretary of Industry<br>- Deputy Permanent Secretary of Industry<br>- Director-General of Department of Industrial Works<br>- Director-General of Department of Basic Industrial Works and Mining<br>- Inspector of Ministry of Industry<br>- President of Commission of Industrial Estate Authority of Thailand<br>- President of Board of Directors of Ratchaburi Electricity Generating Holding PCL<br>- President of Executive Committee of Office of Small and Medium Enterprise Promotion<br>- President of Executive Committee of SME Bank<br>- President of Commission of Foundation Development Industry, Ministry of Industry<br>- President of Commission of Thailand Productivity Institute, Automotive Institute, Food Institute, Iron and Steel Institute of Thailand, Plastic Institute, Construction Institute of Thailand<br>- Committee of Electricity Generating Authority of Thailand<br>- Committee of PTT Exploration and Production Public Company Limited (PTTEP)<br>- President of Association of QC Headquarters of Thailand<br>- President of Association of Engineer Alumni, Kasetsart University<br>- President of Association of Triam Udom Suksa School Alumni under Royal Patronage |
| BOD Commission for public and private sector                   |  |
| President  |  |



**Mrs. Rawittha Pongnuchit**

Independent director / Audit Committee / President of Recruitment and Remuneration Committee

AGE  
68

**Educational qualifications**

- Master of Public Administration, Thammasat University
- Bachelor of Arts, Ramkhamhaeng University

**Training profile**

- Director Certification Program (DCP), 59th Generation, 2005, Thai Institute of Directors
- National Defense Program, Public-private partnership, 15th Generation
- Program of public management and public law, 3rd Generation, King Prajadhipok's Institute
- Program of top executives, Capital Market Academy (3rd Generation), Securities Exchange of Thailand
- Program of top executives in trade and commerce (TEPCOT), 1st Generation

**The Company's Security Holding Proportion<sup>(%)</sup>**

-None-

**Family Relationship with Directors and Executives**

-None-

**Work experiences in the past 5 years**

- |   |  |
|---|--|
| October, 2015<br>(before transform) – now | - Independent director, Audit Committee<br>President of Recruitment and Remuneration Committee<br>Sakol Energy Public Company Limited Nam Heng Concrete (1992) Co., Ltd. |
| September, 1992 – now                     | - Independent director, President of Audit Committee<br>Nam Heng Concrete (1992) Co., Ltd.   |
| June, 1994 – now                          | - Independent director, Audit Committee<br>Panda Jewelry Public limited company  |
| September, 2004 – now                     | - Independent director, President of Audit Committee<br>Solartron Public Company Limited<br>- Independent director, Audit Committee                                      |
| November, 2007 – now                      | - Synnex (Thailand) Public Company Limited<br>- President of Directors   |
| November, 2012 – now                      | - Putra Corporation Co., Ltd.  |
| March, 2013 – now                         | - President of Directors<br>Chandam Residence Co., Ltd.  |
| March, 2013 – now                         | - Director<br>Wise Management Advisory Co., Ltd.   |





**Dr. Attawoot Papangkorn**

**Independent director / Audit Committee**

**AGE**  
32

**Educational qualifications**

- DBA in Business and Administration major in Management (Corporate governance) University of The Thai Chamber of Commerce Training profile
- Director Accredited Program (DAP), 134th Generation, 2017, Thai Institute of Directors

**The Company's Security Holding Proportion<sup>(%)</sup>**  
- None -

**Family Relationship with Directors and Executives**  
- None -

**Work experiences in the past 5 years**

September, 2016 - Independent director, Audit Committee (before transform) Sakol Energy Public Company Limited  
- now Nam Heng Concrete (1992) Co., Ltd.

November, 1992 - Director  
- now Sajjapong Lawyer Office Co., Ltd.

October, 2006 - Director  
- January, 2018 Chanathip Pa Tong Co., Ltd.

November, 2006 - Director  
- now Sarittha Co., Ltd.

November, 2006 - Director  
- January, 2018 Kanisa Co., Ltd.

November, 2006 - Director  
- January, 2018 Korakot Pa Tong Co., Ltd.

November, 2006 - Director  
- January, 2018 Chatpong Pa Tong Co., Ltd.

November, 2007 - Director  
- January, 2018 Sawarin Pa Tong Co., Ltd.

November, 2007 - Director  
- January, 2018 Palathip Pa Tong Co., Ltd.

November, 2007 - Director  
- January, 2018 Pithiwat Pa Tong Co., Ltd.

September, 2007 - Director  
- January, 2018 Atiruj Pa Tong Co., Ltd.

September, 2007 - Director  
- January, 2018 Aship Pa Tong Co., Ltd.

November, 2007 - Director  
- January, 2018 Anuthat Co., Ltd.

January, 2010 - now - Director  
Pinklao-Banglamphu Co., Ltd.

May, 2010 - December, 2017 - Director  
Osmium Co., Ltd.

June, 2011 - now - Director  
Navarak Co., Ltd.

June, 2015 - now - Director  
Sap Sitthi Co., Ltd.

June, 2015 - now - Director  
Host Orlogiry Co., Ltd.

September, 2015 - now - Director  
MitrTheeuyu Co., Ltd.



## Past of 1

### MANAGE A BUSINESS

14 – 23	Policy and Nature of Business
24 – 46	Nature of Business
47 – 55	Risk Factors
55 – 58	General Information and Other Important Information







## 1. Policy and Nature of Business

### 1.1 Nature of Business

Sakol Energy Public Company Limited (the “Company”) was incorporated on 16 January 2009 from joint venture of three companies, namely Tarnsuwan Company Limited, IMI Industries Company Limited, and Thai Alternative Energy Group Company Limited with initial registered capital of Baht 80,000,000 to operate natural gas compression service for NGV trailer trucks of PTT Public Company Limited (“PTT”) as awarded by PTT for setting-up of Private Mother Station. As of 30 September 2017, the Company had registered capital of Baht 465.00 million and paid-up capital of Baht 346.40 million with the par value per share of Baht 0.50. Subsequently, on 20 November 2017, the Company registered an increase in its paid-up capital of Baht 118.60 million with the Department of Business Development, the Ministry of Commerce, resulting in the total paid-up capital of Baht 465.00 million. Therefore, the Company’s registered and paid-up capital is Baht 465.00 million, divided into 930.00 million shares at the par value of Baht 0.50.

At present, the Company has 2 NGV stations, namely PathumThani Private Mother Station located in Chiang Rak Noi Sub-district, Samkok District, PathumThani Province with the maximum compress natural gas capacity of 350 tons per day and Saraburi Private Mother Station located in Tah Maprang Sub-district, Kaeng Khoi District, Saraburi Province with the maximum compress natural gas capacity of 400 tons per day. In addition, the Company sees potential in expanding its business and has conducted feasibility studies on investment in other businesses relating to energy sector.



## 1.2 Vision, mission and objectives of the business

### Vision

To become the country's leading service provider in energy sector.

### Values

1. To uphold the virtues of integrity and honesty
2. To strive for excellency
3. To become innovation-driven company
4. To jointly build confidence
5. To devote for maximum safety
6. To be responsible for society and environment

### Mission

To operate energy business while being accountable to all of the following stakeholders:

Shareholders	:	Generate good return and continuously grow the business with sustainability
Employees	:	Provide continuous training and development, including appropriate employee welfare and fair compensation. Place great importance on safety.
Trade partners	:	Build relationship and trust with trade partners to establish sustainable business
Customers	:	Emphasize on creating customer satisfaction by upholding high standard of service and using innovations
Creditors	:	Place importance on compliance with terms and conditions of agreement with creditors and conduct to creditors with honesty
Competitors	:	Support and promote free and fair competition through compliance with ethical and legal frameworks
Society	:	Become an organization which is responsible to society and environment





### Objectives

1. To become a leading private natural gas compression service provider
2. To continuously promote research and development of new energy business
3. To invest in environmentally friendly business
4. To allocate budget sufficiently and appropriately
5. To be part of development of society for sustainability

### Business Strategy

To achieve its business objectives, the Company focuses on the three following strategies:

1. Cost reduction strategy
2. Strategy in respect of investment in related business
3. Strategy in respect of development in natural gas compression technology



### 1.3 Key milestones and development of the Company

Summary on key milestones of the Company is set out below:

Year	Key Milestones
2008	<ul style="list-style-type: none"> <li>In October, Tarnsuwan Company Limited submitted a proposal to bid project for setting-up natural gas private mother station in Pathum Thani Province.</li> </ul>
2009	<ul style="list-style-type: none"> <li>The company was notified for being awarded in setting up natural gas private mother station in District 1 (Chiang Rak Noi, Samkhok, Pathum Thani) on 7 January 2009.</li> <li>Sakol Energy Company Limited was incorporated on 16 January 2009 with initial registered capital of Baht 80,000,000, divided into 800,000 ordinary shares at the par value of Baht 100 per share of which Baht 25 per share was paid-up or equivalent to total paid-up capital of Baht 20,000,000.</li> <li>In January, the Company entered into an agreement to sell and purchase land in Chiang Rak Noi Sub-district, Samkhok District, Pathum Thani Province to be used for construction of natural gas private mother station in Pathum Thani Province.</li> <li>In March, in order to meet qualifications as specified under the proposal to set-up natural gas private mother station, there was a joint venture of three companies: <ol style="list-style-type: none"> <li>Tarnsuwan Company Limited, founder of the Company</li> <li>IMI Industries Company Limited (“IMI”) (former name is International Measuring Industries Company Limited) was incorporated on 30 January 1989 and has extensive experience in engineering. IMI is under the approved vendor list of PTT. IMI participated in forming the Company and provided support on the engineering aspects.</li> <li>Thai Alternative Energy Group Company Limited (“TAE”) was incorporated on 19 September 2008 with an objective to invest in other companies, particularly in the energy business. TAE participated in forming the Company as co-investor.</li> </ol> </li> <li>The Company entered into 20-year contract no. 1 dated 17 March 2009 with PTT for operating natural gas private mother station (PMS) at Chiang Rak Noi Sub-district, Samkhok District, Pathum Thani Province, having production capacity of compressed natural gas of not less than 200 tons per day and reserved production capacity of 25% for the whole term of the contract.</li> <li>The Company started construction of the first station in Pathum Thani Province in May.</li> <li>In July, the Company paid-up its registered capital in the additional amount of Baht 60,000,000, resulting in the total registered and paid-up capital of the Company being Baht 80,000,000.</li> <li>The Company started distributing natural gas for PTT pursuant to the contract on 9 October 2009. The average quantity of compressed natural gas produced by the Company for transportation trucks of PTT is 250 tons per day (Pathum Thani).</li> <li>The Company received the first Board of Investment Promotion Certificate for Pathum Thani Private Mother Station from the Board of Investment of Thailand on 19 November 2009 with investment promotion incentives for the business of investment in NGV station.</li> </ul>
2010	<ul style="list-style-type: none"> <li>In June, the Company entered into an agreement to sell and purchase land in Tah Maprang and Huay Hang Sub-districts, Kaeng Khoi District, Saraburi Province to be used for construction of natural gas private mother station in Saraburi Province.</li> <li>In August, the Company submitted a bid for setting up natural gas private mother station in Saraburi Province.</li> <li>In October, the Company was notified for being awarded in setting up natural gas private mother station in Saraburi Province.</li> <li>In October, the Company increased its registered capital for another Baht 80,000,000, divided into 800,000 ordinary shares at the par value of Baht 100 per share of which</li> </ul>



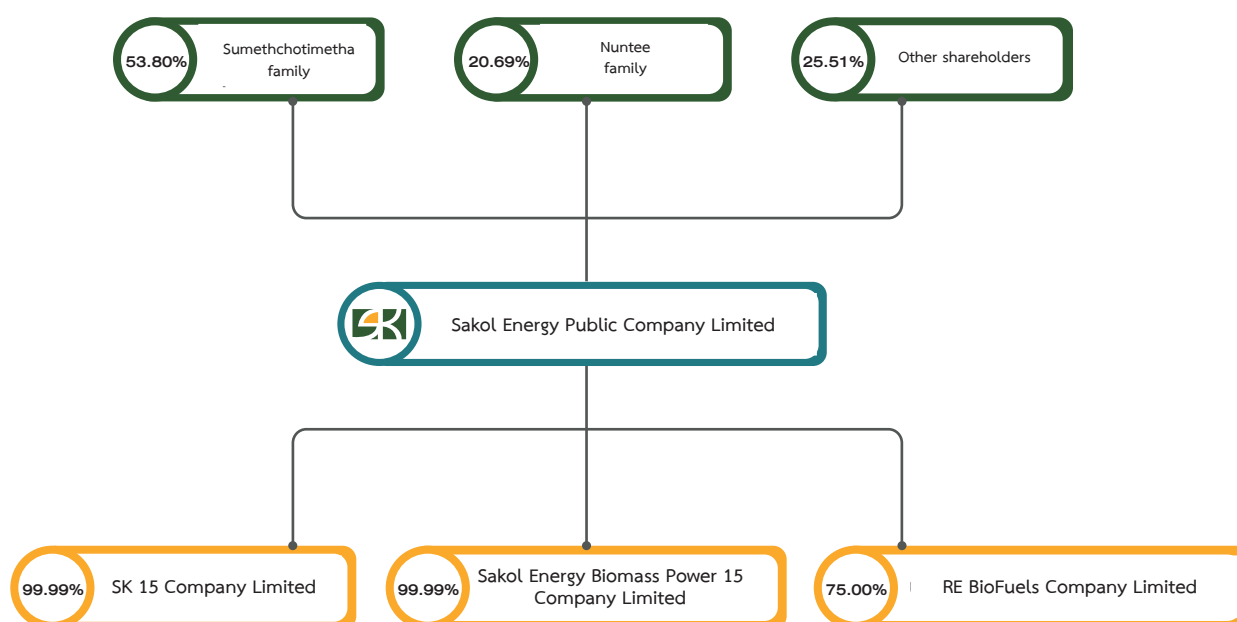
Year	Key Milestones
	<p>Baht 25 per share was paid-up. The newly issued shares were offered and allotted to the existing shareholders. As a result, the Company's total registered capital after the capital increase was Baht 160,000,000, divided into 1,600,000 ordinary shares and paid-up capital after the capital increase was Baht 100,000,000.</p> <ul style="list-style-type: none"> <li>The Company started construction of its 2<sup>nd</sup> station in Saraburi Province on 15 December 2010.</li> </ul>
2011	<ul style="list-style-type: none"> <li>The Company received the second Board of Investment Promotion Certificate for Saraburi Private Mother Station from the Board of Investment of Thailand on 18 January 2011 with investment promotion incentives for the business of investment in NGV station.</li> <li>In February, the Company paid-up its registered capital in the additional amount of Baht 60,000,000, resulting in the total registered and paid-up capital of the Company being Baht 160,000,000, consisting of 1,600,000 ordinary shares at the par value of Baht 100 per share.</li> <li>The Company entered into 20-year contract no. 2 dated 23 February 2011 with PTT for operating natural gas private mother station (PMS) at Tha Maprang Sub-district, Kaeng Khoi District, Saraburi Province, having production capacity of compressed natural gas of not less than 200 tons per day and reserved production capacity of 25% for the whole term of the contract.</li> <li>The Company started distributing natural gas for PTT pursuant to the contract on 16 July 2011.</li> </ul>
2012	<ul style="list-style-type: none"> <li>In June, the Company entered into amendment agreement with PTT to increase production capacity of compressed natural gas for Saraburi Private Mother Station to not less than 320 tons per day and reserved production capacity of 25% for the whole term of the contract.</li> </ul>
2014	<ul style="list-style-type: none"> <li>In September, SK 15 Company Limited was incorporated with initial registered capital of Baht 140.00 million with an objective to conduct property for lease business. The Company has 99.99% shareholding in SK 15 Company Limited.</li> <li>In October, Sakol Biomass Power Company Limited was incorporated with initial registered capital of Baht 19.00 million with an objective to conduct business of production and distribution of electricity. The Company has 99.99% shareholding in Sakol Biomass Power Company Limited.</li> <li>In October, Sakol Wind Power Company Limited was incorporated with initial registered capital of Baht 62.00 million with an objective to conduct business of production and distribution of electricity. The Company has 99.99% shareholding in Sakol Wind Power Company Limited.</li> <li>In December, the Company requested to PTT for increase of production quantity of compressed natural gas in the additional amount of 100 tons per day for Pathum Thani Private Mother Station.</li> </ul>
2015	<ul style="list-style-type: none"> <li>In July, IMI withdrew Baht 16 million investment in the Company. As a result, the Company's registered capital decreased from Baht 160.00 million to Baht 144.00 million.</li> <li>In June, the Company entered into additional contract for improvement of natural gas quantity for Pathum Thani Private Mother Station.</li> <li>Sakol Wind Power Company Limited changed its name to Sakol Energy Biomass Power 15 Company Limited on 26 October 2015.</li> <li>The Company increased its registered capital in the additional amount of Baht 202,400,000, divided into 2,024,000 ordinary shares with par value of Baht 100 per share of which are fully paid-up. As a result, the Company's total registered capital</li> </ul>



Year	Key Milestones
	was Baht 346,400,000, divided into 3,464,000 ordinary shares with par value of Baht 100 per share.
2016	<ul style="list-style-type: none"> <li>▪ Sakol Biomass Power Company Limited registered for cessation of business on 29 July 2016 and completed its liquidation on 14 December 2016.</li> <li>▪ The extraordinary general meeting of shareholders no. 1/2016 held on 1 September 2016 resolved to approve: <ul style="list-style-type: none"> <li>- conversion into public limited company and change the Company's name to Sakol Energy Public Company Limited;</li> <li>- registration of the change of par value from Baht 100 per share to Baht 0.5 per share, which resulted in an increase in the number of issued shares from 3,464,000 shares to 692,800,000 shares;</li> <li>- increase of registered capital from Baht 346,400,000 to Baht 465,000,000 by offering newly issued shares to the public (initial public offering: IPO) in the amount of not exceeding 237,200,000 shares at the par value of Baht 0.5 per share.</li> </ul> </li> <li>▪ On 14 September 2016, the Company was converted into public limited company.</li> </ul>
2017	<ul style="list-style-type: none"> <li>▪ In March, the shareholding structure of the Company was changed from corporate shareholders namely, Tarnsuwan Company Limited and Thai Alternative Energy Group Company Limited, holding 72.22% and 27.78% respectively, to individual shareholders (<i>please refer to details on change of shareholders under the topic 'Shareholding Structure' in Section 2.3.9 Information on Securities and Shareholders</i>).</li> </ul>
	<ul style="list-style-type: none"> <li>▪ On 20 November 2017, the Company registered an increase in its paid-up capital by Baht 118,600,000, resulting in the total paid-up capital of Baht 465,000,000, divided into 930,000,000 ordinary shares.</li> <li>▪ On 22 November 2017, the Company registered its shares as listed securities on the Stock Exchange of Thailand (SET).</li> </ul>
2018	<ul style="list-style-type: none"> <li>▪ The Board of Directors' Meeting No. 1/2018 held on 25 January 2018 resolved to approve acquisition of 7,500 shares in RE BioFuels Company Limited ("<b>RE BioFuels</b>") at par value of Baht 100 per share, accounting for 75% of the total paid-up capital of RE BioFuels, at the purchase price of Baht 1,267.67 per share, totaling Baht 9,500,000. As of 16 February 2018, the Company holds 7,500 shares in RE BioFuels. On 6 March 2018, RE BioFuels registered increase in its registered capital by Baht 14,000,000. As a result, the Company holds 112,500 shares in RE BioFuels, accounting for 75% of the total paid-up capital of RE BioFuels.</li> </ul>

#### 1.4 Shareholding Structure

Set out below is the shareholding structure and shareholding in the Company as of 15 March 2018.



*Remark : RE BioFuels Company Limited was a subsidiary of the Company In February 2018*

The details of the Company's shareholding in subsidiaries are as follows:

Company Name	Paid-up Capital (Baht)	Shareholding (%)	Core Business
SK 15 Company Limited	140,000,000	99.99	Property for lease
Sakol Energy Biomass Power 15 Company Limited	62,000,000	99.99	In process of conducting feasibility study on the biomass power plant business
RE BioFuels Company Limited <i>(was a subsidiary of the Company In February 2018)</i>	15,000,000	75.00	production and distribution of compressed biomethane gas with the production capacity of 9,000 kilograms per day

### Subsidiaries

#### 1. SK 15 Company Limited

SK 15 Company Limited was incorporated on 11 September 2014 to conduct property for lease business. Its head office is located in Chatuchak District, Bangkok. As of 31 December 2017, the total registered capital of SK 15 Company Limited is Baht 140,000,000, divided into 1,400,000 shares at the par value of Baht 100 per share and all of the company's shares have been fully paid-up. The Company holds 99.99% shareholding of the total registered and paid-up capital of SK 15 Company Limited. At present, SK 15 Company Limited owns land in Nakhonsawan Province of 57 Rai. The land is partially leased, and the company has prepared to use the remaining land for development of future projects.

#### 2. Sakol Energy Biomass Power 15 Company Limited

Sakol Energy Biomass Power 15 Company Limited (former name is Sakol Wind Power Company Limited) was incorporated on 21 October 2014 to conduct feasibility study on biomass power plant business. Its head office is located in Chiang Rak Noi, Samkhok, Pathum Thani. As of 31 December 2017, the total registered capital of Sakol Energy Biomass Power 15 Company Limited is Baht 62,000,000, divided into 620,000 ordinary shares at the

par value of Baht 100 per share and all of the company's shares have been fully paid-up. The Company holds 99.99% shareholding of the total registered and paid-up capital of Sakol Energy Biomass Power 15 Company Limited. At present, Sakol Energy Biomass Power 15 Company Limited owns land in Songkhla Province of 101 Rai and the company has prepared to use the land for development of future projects.

### 3. RE BioFuels Company Limited

RE BioFuels Company Limited was incorporated on 17 July 2017 to conduct on biomass power plant business. Its head office is located at No. 3 Promphan 3 Building, 7th Floor, Unit 706, Soi Ladprao 3, Chompol Sub-district, Chatuchak District, Bangkok 10900. As of 6 March 2018, RE BioFuels Company Limited's registered capital was Baht 15,000,000, divided into 150,000 ordinary shares at the par value of Baht 100 per share and all of the shares are fully paid-up. The Company has 75% shareholding in RE BioFuels Company Limited. At present, RE BioFuels Company Limited has in production and distribution of compressed biomethane gas business, with the production capacity of 9,000 kilograms per day. Compressed biomethane gas is produced from biogas in waste water from cassava manufacturing plant. Such biogas passes the process of quality improvement and compression to create compressed biomethane gas with a similar quality as NGV.

## 1.5 Relationship with businesses of major shareholders

There is relationship with businesses of major shareholders. Please refer Item "11. Related Party Transactions" for more details.

As of 31 December 2017, details on the Company's major shareholders' shareholdings in other companies are as follows:

### 1. Names of company or business related to Sumethchotimetha family<sup>1/</sup>

	Company Name	Type of Business	Shareholding by Sumethchotimetha family
1	N15 Technology Company Limited	Nonhazardous industrial waste disposal and waste-to-energy plant in Amata Nakorn Industrial Estate	90.00%
2	Trans Group Company Limited	Purchase and sale of lignite and lumber	100.00%
3	B.P. 15 Company Limited	Manufacturer and distributor of wood pellet	80.00%
4	PTC Holding Company Limited	Mining / sale of coal / sale of biomass and office lease	100.00%
5	Tarntanakom Company Limited	Transportation of agricultural products, containers, coal and cement	100.00%
6	Tarnsuwan Company Limited	Transportation of agricultural products, containers, coal, cement and natural gas (NGV)	100.00%
7	T Line Transport Company Limited	Container truck transportation	100.00%
8	CSK Inventory Company Limited	Warehouse lease	70.00%



	Company Name	Type of Business	Shareholding by Sumethchotimetha family
9	CSK Inventory Services Company Limited	Warehouse management service	70.00%
10	Thai Trans Engineering Company Limited <sup>3/</sup>	Construction of factory, warehouse and office	0.004% (direct shareholding) 100.00% (indirect shareholding through Trans Solar Energy Company Limited and PTC Holding Company Limited)
11	Trans Energy Company Limited	Contractor for construction of factory and office	100.00%
12	Trans Solar Energy Company Limited <sup>3/</sup>	Solar power plant	0.02% (direct holding) 100.00% (indirect shareholding through PTC Holding Company Limited)
13	CAN 145 Company Limited <sup>3/</sup>	Sale and purchase of lumber	10.00% (direct shareholding) 42.00% (indirect shareholding through B.P.15 Company Limited)
14	Chamchuri 44 Design Company Limited <sup>3/</sup>	Collection and sale of agricultural residues	35.00%
15	CSK Waste Recycling Company Limited <sup>2/</sup>	Waste recycling. At present, the company has not started the operation.	25.00% (direct shareholding) 42.00% (indirect shareholding through CSK Inventory Company Limited)
16	Thai Biogas Technology Company Limited <sup>2/</sup>	Project for napier grass as energy crop for power production	50.00%
17	TC Power Resources Company Limited <sup>3/</sup>	Mining	50.00%

**Remarks** <sup>1/</sup> Sumethchotimetha family consists of: 1. Mr. Chutchai Sumethchotimetha, 2. Mrs. Aree Sumethchotimetha, 3. Miss Intira Sumethchotimetha, 4. Mr. Thanapon Sumethchotimaytha, 5. Mr. Rapeepat Sumethchotimetha, 6. Mr. Jakkrachong Sumethchotimetha, 7. Miss Napapach Wimonwatcharakorn, and 8. Miss Natthaphatsorn Jiamwjitkul.

<sup>2/</sup> Inactive and planned for close down.

<sup>3/</sup> Registered for dissolution of the company on 2 November 2017.

2. Names of company or business related to Nuntee family

	Company Name	Type of Business	Shareholding by Nuntee family
1	Global Palm Oil Company Limited	Sale and purchase of palm oil and sale and purchase of palm oil related products	- <sup>1/</sup>



	Company Name	Type of Business	Shareholding by Nuntee family
2	Global Refinery Company Limited	In process of studying and setting-up of palm oil refinery plant project	- <sup>1/</sup>
3	Global Inter Company Limited	Storage tank for palm oil and storage tank for related products	- <sup>1/</sup>
4	GI Green Palm Oil Company Limited (former name is GI Green Trading Company Limited)	Sale and purchase of palm oil and sale and purchase of palm oil related products	- <sup>1/</sup>
5	GI Green Power Company Limited	Manufacturer and distributor of biodiesel	- <sup>1/</sup>
6	Sunny Diva Company Limited	Manufacturer and distributor of milk and yoghurt	98.00%
7	Donsak Ville Company Limited	Provision of accommodation	3.00%
8	The Lofty Warehouse Company Limited (former name is Green Coal Energy Company Limited)	In process of studying and setting-up of warehouse	90.00%
9	Thai Alternative Energy Group Company Limited	Holding company focusing on investment in energy business	90.00%
10	T.S.Palm Oil Company Limited <sup>2/</sup>	Sale and purchase of palm oil and sale and purchase of palm oil related products	11.00%

**Remark** <sup>1/</sup> Mrs. Tanipa Puangjumba is a director of the company.

<sup>2/</sup> Inactive and planned for close down.



## 2. Nature of Business

### 2.1 Revenue Structure

Total revenue from rendering of services can be categorized by type of products and services, the details of which are as follows:

	2015 (Audited)		2016 (Audited)		2017 (Audited)	
	Baht Million	%	Baht Million	%	Baht Million	%
<b>Revenue</b>						
Revenue from rendering of services	340.36	93.72	385.55	93.04	310.15	92.94
Revenue from financial leases	19.94	5.49	22.18	5.35	21.43	6.42
Other income <sup>/1</sup>	2.87	0.79	6.65 <sup>/2</sup>	1.60	2.12	0.64
<b>Total income</b>	<b>363.17</b>	<b>100.00</b>	<b>414.38</b>	<b>100.00</b>	<b>333.70</b>	<b>100.00</b>

Remarks <sup>/1</sup> Other income includes income from sale of fund, interest income and lease and utility income.

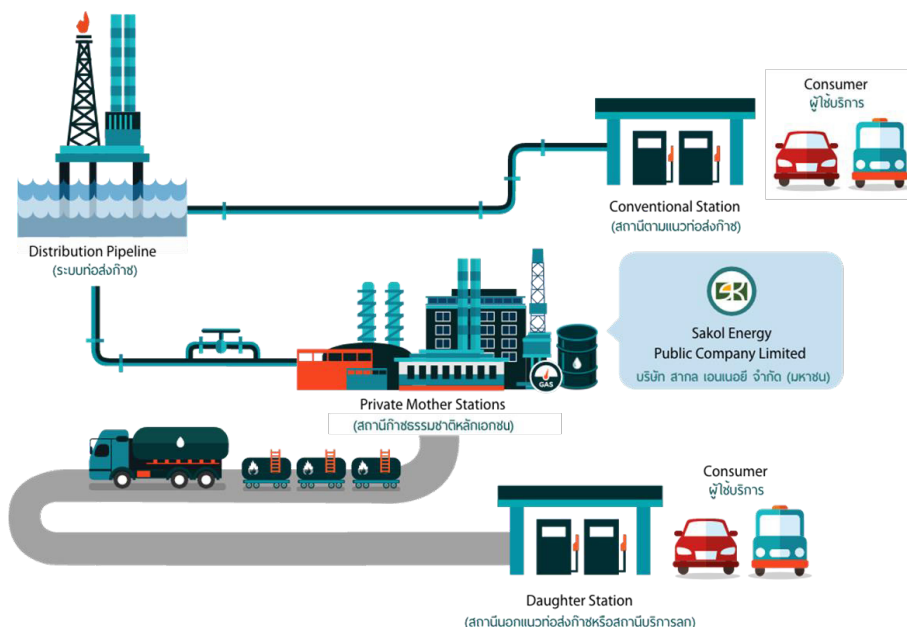
<sup>/2</sup> Other income increased in 2015 as the Company made profits from sale of land.

### 2.2 Nature of products and services

#### ▪ Nature of Business

Sakol Energy Public Company Limited is NGV Private Mother Station operator, providing natural gas compression service for NGV trailer trucks of PTT Public Company Limited (“PTT”) which distribute NGV to NGV stations which are not along natural gas pipelines or Daughter Station, including improving natural gas quality to meet the regulators’ standards. PTT is the Company’s customer.

Diagram illustrating the Company’s business operation



Remarks : 1. **Private Mother Station** is a station located along the pipeline which compresses and improves quality of natural gas and fuels in NGV trucks for transportation to daughter stations.

2. **Daughter Station** is a station located off the pipeline and must receive natural gas supplied from NGV trucks supplied by mother stations and dispenses such natural gas to users.
3. **Conventional Station** is a station located along the pipeline which improves quality of natural gas and sells to users. Ex-pipeline station is one type of conventional stations which is different from other conventional stations because it does not share profit through market share.

At present, the Company has 2 NGV stations, namely Pathum Thani Private Mother Station and Saraburi Private Mother Station. The Company entered into natural gas compression contract, including setting-up of Private Mother Stations with PTT (“**Gas Compression Contract**”) (please refer to summary on key terms and conditions of the contract in additional document regarding assets used in the business operation), the details of which are as follows:

1. Pathum Thani

Pathum Thani Private Mother Station is located in Chiang Rak Noi Sub-district, Samkok District, Pathum Thani Province, having land area of 8 Rai 3 Ngan 64 Square Wah, supporting the demand for NGV in the metropolitan area, with minimum compressed natural gas capacity of 200 tons per day and reserved capacity of 25% for the whole term of the contract (aggregate capacity and reserve of 250 tons per day). The Company had entered into additional contract with PTT allowing it to compress additional natural gas of 100 tons per day. Hence, the maximum compress natural gas capacity is 350 tons per day. The Company can compress natural gas for 10 NGV trailer trucks concurrently with minimum refueling rate of 12 tons per hour. It can also produce natural gas 24 hours per day and 365 days per year.

2. Saraburi

Saraburi Private Mother Station is located on Kaeng Khoi-Bangna Highway No. 3222 in Tah Maprang and Huay Hang Sub-districts, Kaeng Khoi District, Saraburi Province, having land area of 18 Rai 2 Ngan 61 Square Wah, supporting the demand for NGV in the northeastern region, with minimum compressed natural gas capacity of 320 tons per day and reserved capacity of 25% for the whole term of the contract (aggregate capacity and reserve of 400 tons per day). The Company can compress natural gas for 10 NGV trailer trucks concurrently with minimum refueling rate of 12 tons per hour. It can also produce natural gas 24 hours per day and 365 days per year.

Natural gas compressor





The change by PTT of its natural gas distribution from Western Pipeline Operations to Eastern Pipeline Operations during the 4<sup>th</sup> quarter of 2015, had resulted in change in the quality of NGV distributed to Pathum Thani Private Mother Station, increasing the heating value of NGV. Therefore, PTT had requested the Company to invest in system for improving NGV quality by adding carbon dioxide (CO<sub>2</sub>) or nitrogen (N<sub>2</sub>) to natural gas so that the heating value of NGV meets regulatory standard as prescribed by the Department of Energy Business.

#### Natural gas quality improvement station



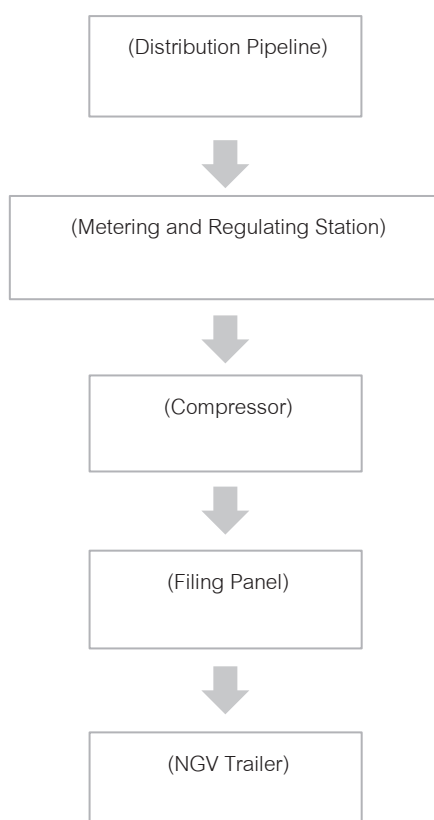
#### Fueling point for distribution





▪ Natural gas compression process

**Diagram illustrating natural gas compression process**



Natural gas compression process by Private Mother Station

1. Natural gas passes through pipeline to the main natural gas private mother station through gas metering to measure the quantity of gas to the private mother station;
2. Low-pressured natural gas coming from pipeline through gas metering will enter compressor to create the level of compression as required; and
3. High-pressured natural gas will be passed to filling panel for filling into natural gas trailer trucks for transportation to daughter station.

▪ Installed capacity and actual production of compressed natural gas

	2014	2015	2016	2017
<b><u>Pathum Thani Station</u></b>				
Installed capacity of compressed natural gas (ton per year)	157,899	157,899	157,899	157,899
Actual production of compressed natural gas (ton per year)	84,518	91,029	97,944	89,178
Actual production of compressed natural gas (ton per day)	232	249	268	244
Capacity utilization rate (%)	54%	58%	62%	56%



<b><u>Saraburi Station</u></b>				
Installed capacity of compressed natural gas (ton per year)	166,549	166,549	166,549	166,549
Actual production of compressed natural gas (ton per year)	126,226	122,718	120,323	121,661
Actual production of compressed natural gas (ton per day)	346	336	329	333
Capacity utilization rate (%)	76%	74%	72%	73%
<b><u>Total</u></b>				
Installed capacity of compressed natural gas (ton per year)	324,448	324,448	324,448	324,448
Actual production of compressed natural gas (ton per year)	210,744	213,747	218,267	210,839
Actual production of compressed natural gas (ton per day)	577	586	596	578
Capacity utilization rate (%)	65%	66%	67%	65%

Source: SKE

Remark: 1. Installed capacity of compressed natural gas production is the maximum capacity of compressor.

▪ **Maintenance Plan**

The Company has plan to maintain and repair its NGV compressor 2 timers per year or every 4,000 working hours of machinery and the maintenance process takes 2 days for each maintenance. The maintenance plan for NGV filling panel is once a month and the maintenance process takes 1 day for each maintenance. The Company use its team with knowledge, expertise, and experience in maintenance to examine working conditions of equipment, maintenance, and enhance efficiency of machinery on a regular basis.

## 2.3 Marketing and Competitions

### 2.3.1 Competitive strategy

(1) **Reduction of loss quantity**

Under the terms and conditions of the Gas Compression Contract with PTT, the Company must compress natural gas in the quantity determined thereunder and minimize loss quantity (not exceeding 1%) in order not to be subject to penalty under the contract. Most of the time, the Company's quantity of gass loss does not exceed 1%. In addition, the Company delivers natural gass according to the schedule under the contract. Such performance creates credibility which shall be beneficial to the Company in being awarded concession by PTT, if Private Mother Station is opened for bidding in the future.

**Remark:** Quantity of gas loss is difference between quantity of gas measured by meter before entering Private Mother Station and quantity of gas measured by meter before dispensing to natural gas trailers.

(2) **Continuous improvement and development of equipment or parts used in the business**

Since most equipment or parts used in the natural gas station are costly because they must be imported from overseas, the Company must improve and develop equipment or parts such as spare parts used in compressor. The Company hires a local manufacturer to produce such equipment or parts to reduce importation from overseas. As a result, the Company can decrease its operating costs and increase its competitiveness.

(3) Site selection in advance

Location of the site is an important factor in setting up private mother stations as it needs to be along the natural gas distribution pipelines of PTT. The Company purchases land in advance in the area along the distribution pipelines of PTT for the purpose of bidding for concession of private mother stations in the future. The land owned by the Company is located along the natural gas distribution pipelines of PTT which creates competitive edge to the Company in bidding for future projects.

(4) Expansion to business relating to natural gas compression and energy business

At present, the Company has a plan to expand to business relating to natural gas compression and energy business in order to diversify its business. The business relating to natural gas compression includes natural gas transportation service, gas station, conventional ex-pipeline, compressed bio-methane gas (CBG), biomass power plant, conversion of agricultural products to energy etc. Since the Company sees potential in expanding from its existing business, the Company is now in process of negotiating to set-up conventional ex-pipeline with PTT. In addition, the Company is interested in investing in energy business and has conducted feasibility study on biomass power plant.

### **2.3.2 Characteristics of customer and target customer**

The Company's customer is PTT Public Company Limited. NGV trailer trucks, pursuant to the terms and conditions of natural gas transportation service contract with PTT, will come to the Company's stations for fueling of compressed natural gas pursuant to the terms and conditions of the natural gas transportation contract between the Company and PTT. The schedule of NGV trailer trucks arriving at the Company's stations on a monthly and weekly basis are prepared in advance. The schedule may be subject to changes by PTT. In the event of urgency, PTT may notify the Company 1 – 3 days in advance to revise and plan for transportation and traffic of NGV trucks from PTT to the Company's stations.

### **2.3.3 Pricing Policy**

The Company's pricing policy under the gas compression and private mother station set-up contract consists of 2 parts: (1) availability payment (AP), a fixed compensation during the whole period of the contract term; and (2) energy payment, a variable compensation, such as price of electricity, exchange rates and consumer price index. In case there is improvement of natural gas quality, fees will be charged for such additional service. Fees for improvement of natural gas quality consists of 2 parts: (1) availability payment 2 (AP2), a fixed compensation during the whole period of the contract term; and (2) energy payment 2 (EP2), a variable compensation, such as price of electricity, producer price index: freight trucking, and consumer price index. The Company will collect fees with PTT based on the actual quantity of compressed natural gas in each month. In the event the actual monthly quantity of compressed natural gas is lower than the monthly quantity guaranteed by PTT, PTT agrees to pay fees only in the form of availability payment (AP) on the shortfall of the guaranteed monthly quantity (please refer to details on determination of fees for natural gas compression service in Section 2.2.5 assets used in the business).

### **2.3.4 Sale and distribution channel**

#### Process of natural gas distribution

1. Natural gas transportation service provider of PTT examines if gas container is in proper working conditions





2. Natural gas transportation service provider of PTT takes gas container to filling station (trailer bay)



3. The Company compresses natural gas



4. The Company records quantity of compressed natural gas in order to issue delivery slip to natural gas transportation service provider of PTT



5. Natural gas transportation service provider of PTT takes gas container which has been filled with natural gas to parking space ready for further delivery to customer



6. Natural gas transportation service provider of PTT transports compressed natural gas from the Company's station to daughter station or service station



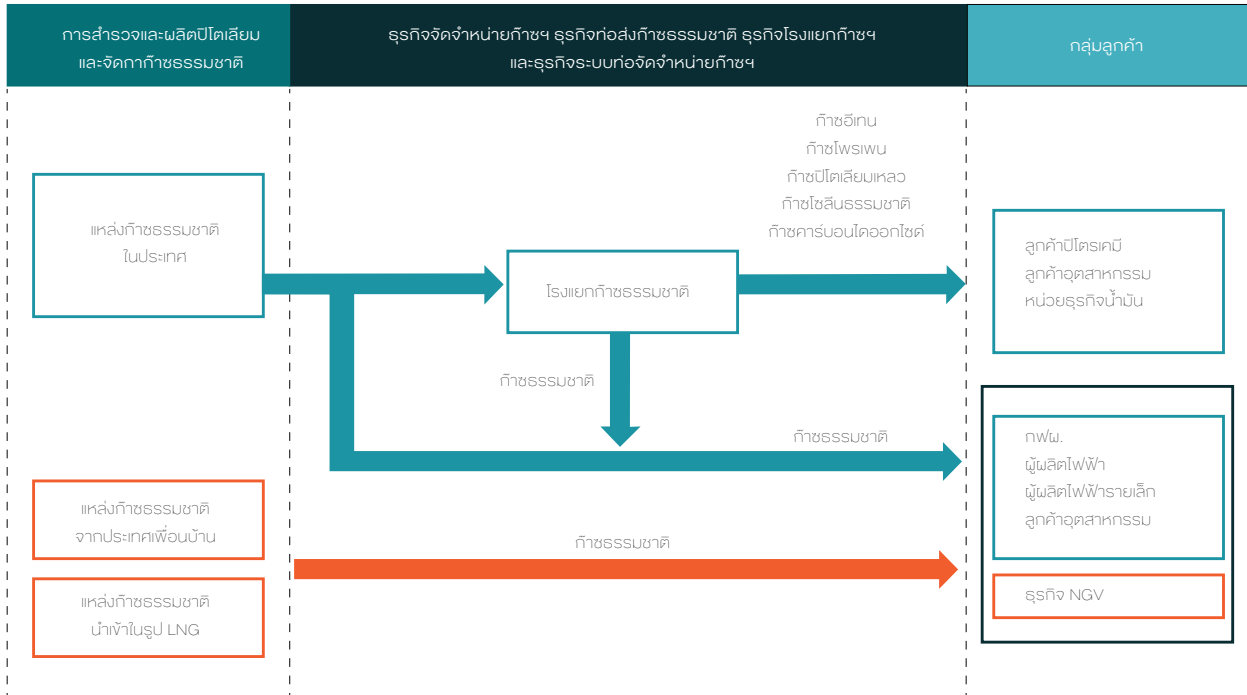
The above compression process of natural gas for NGV trucks is in accordance with terms and conditions of natural gas compression contract with PTT. Pathum Thani Private Mother Station has minimum compressed natural gas capacity of 200 tons per day and reserved capacity of 25% for the whole term of the contract, with additional quota from PTT to compress natural gas of another 100 tons per day. Saraburi Private Mother Station has minimum compressed natural gas capacity of 320 tons per day and reserved capacity of 25% for the whole term of the contract. The Company's staff and PTT's staff jointly examine the production quantity of compressed natural gas at the end of each month at Metering and Regulating Station. PTT agrees to pay service compensation on a monthly basis in the amount equivalent to the actual quantity of compressed natural gas filled in its NGV trucks and the invoice for service will be paid within 30 days from the date of submission of the invoice.



## 2.4 Industry Outlook and Competition

### 2.4.1 Natural gas industry outlook

As the Company operates private mother station business providing natural gas compression service to natural gas trailers of PTT for transportation to daughter stations, demand for natural gas is a key factor to growth of this business. The natural gas industry outlook in Thailand is as follows:



#### 2.4.1.1 Procurement and usage of natural gas

At present, main sources of natural gas in Thailand can be divided into the following two sources:

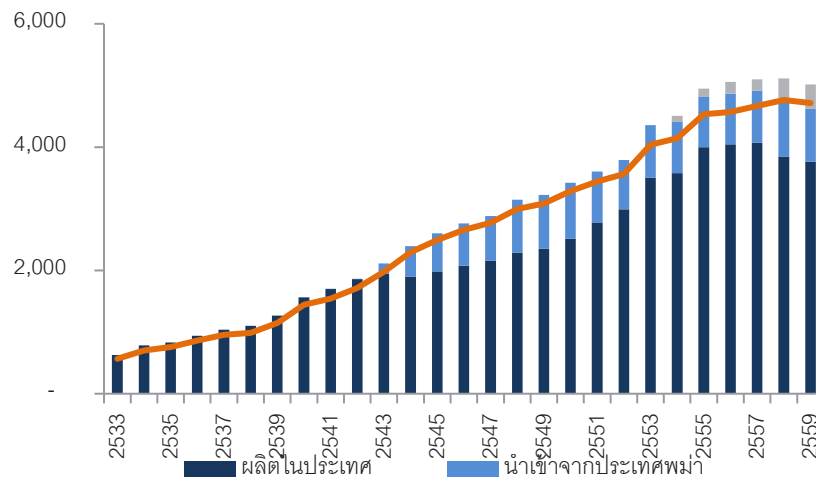
1. Domestic production accounts for 75% of the total production quantity. Natural gas is from:
  - 1.1 Gulf of Thailand which includes Erawan field, Bongkot field, Arthit field, Benjamas field, Tarntawan and Platong gas field.
  - 1.2 Joint development area, namely Malaysia-Thailand joint development area (JDA).
  - 1.3 Inland area such as Nam Phong field, Nam Phong Sub-district, Khon Kaen Province and Pu Hom field, Udonthani Province.
2. Importation from overseas accounts for 25% of the total production quantity. Natural gas is from:
  - 2.1 Importation from Burma such as Yadana gas field, Yetagun gas field, and Zawtika gas field accounts for 17% of the total production quantity.
  - 2.2 Importation from overseas, namely Middle West, South America, and Australia, in the form of Liquefied Natural Gas (LNG) accounts for 8% of the total production quantity.

PTT is the operator of the natural gas business. It is the natural gas buyer from the natural gas seller under natural gas purchase contracts both domestically and internationally. For importing liquefied natural gas (LNG) from abroad, PTT has established PTTLNG Company Limited (PTTLNG) to carry out the construction of a jetty and a terminal for Map Ta Phut LNG Terminal to meet future demand for natural gas.

In 2016, gas production in Thailand was 3,766 cubic feet per day. The rest is imported from abroad. Burma's imports are 859 cubic feet per day and imported LNG 390 cubic feet per day. Total supply of natural gas is 5,015 cubic feet per day. First LNG imports were made in May 2011.

**Graph showing the supply and use of natural gas in Thailand from 1990 to 2016.**

Million cubic feet



Soucre: Energy Policy and Planning Office, Ministry of Energy







#### 2.4.1.2 Gas Pipeline Network in Thailand

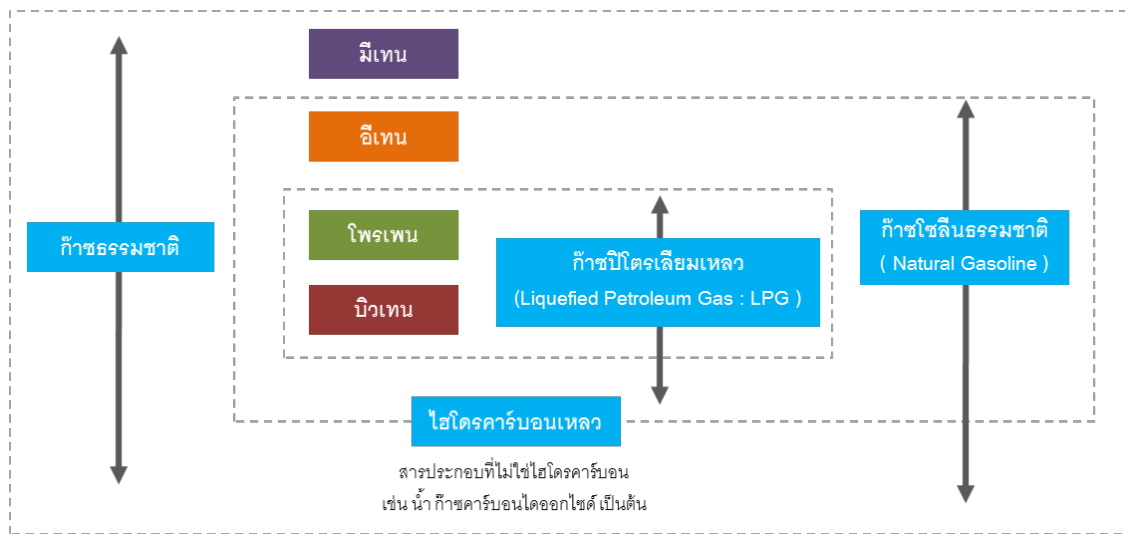
PTT has contracted gas pipeline for approximately 493 kilometers long to connect from the natural gas pipeline system to industrial customers nationwide.



Source: Information form of the year 2016 of PTT Public Company Limited

### 2.4.1.3 Natural gas components and benefits

Natural gas consists of a variety of hydrocarbons such as methane, ethane, propane gas, butane gas, etc. There are also non-hydrocarbon compounds such as carbon dioxide, hydrogen sulphide gas, nitrogen gas and water, etc. th gas can be used as follows:



1. Methane (C1): Used as a fuel for the production of electricity and heat in industrial plants. Used as raw material for chemical fertilizer production. When used in high pressure tanks, it is called "compressed natural gas (CNG)". It can be used as fuel in vehicles, or "natural gas for vehicles (NGVs)".
2. Ethane (C2 ): Used as raw material in the petrochemical industry. It is a substitute for polyethylene resin (PE) for plastic bags, toothpaste tubes, plastic bottles, shampoos. Synthetic fibers to be processed into other products.
3. Propane Gas (C3): Used as a raw material in the petrochemical industry. It is a precursor for the production of polypropylene (PP) resins for the production of synthetic rubber. Battery, battery and oil quality additives
4. Butane gas (C4 ): Used as raw material in the petrochemical industry. It is the starting material for the additive to increase octane in gasoline, instead of lead (MTBE), synthetic rubber and ABS plastic.
5. Liquid petroleum gas (C3 + C4): Used as fuel or LPG in households, fuel In Cars, fuel for industrial heating Used as raw material in the petrochemical industry.
6. Carbon dioxide (CO2): The product is derived from the process of extracting carbon dioxide from natural gas or for using in cast iron industry, food preservation, beverage industry (Soft drinks and beer), and for making fire extinguishers, raincoats, dry ice or to create smoke in the entertainment industry.

### 2.4.1.4 Natural Gas Usage

Natural gas usage of each branch matrix between 2012 and 2016.

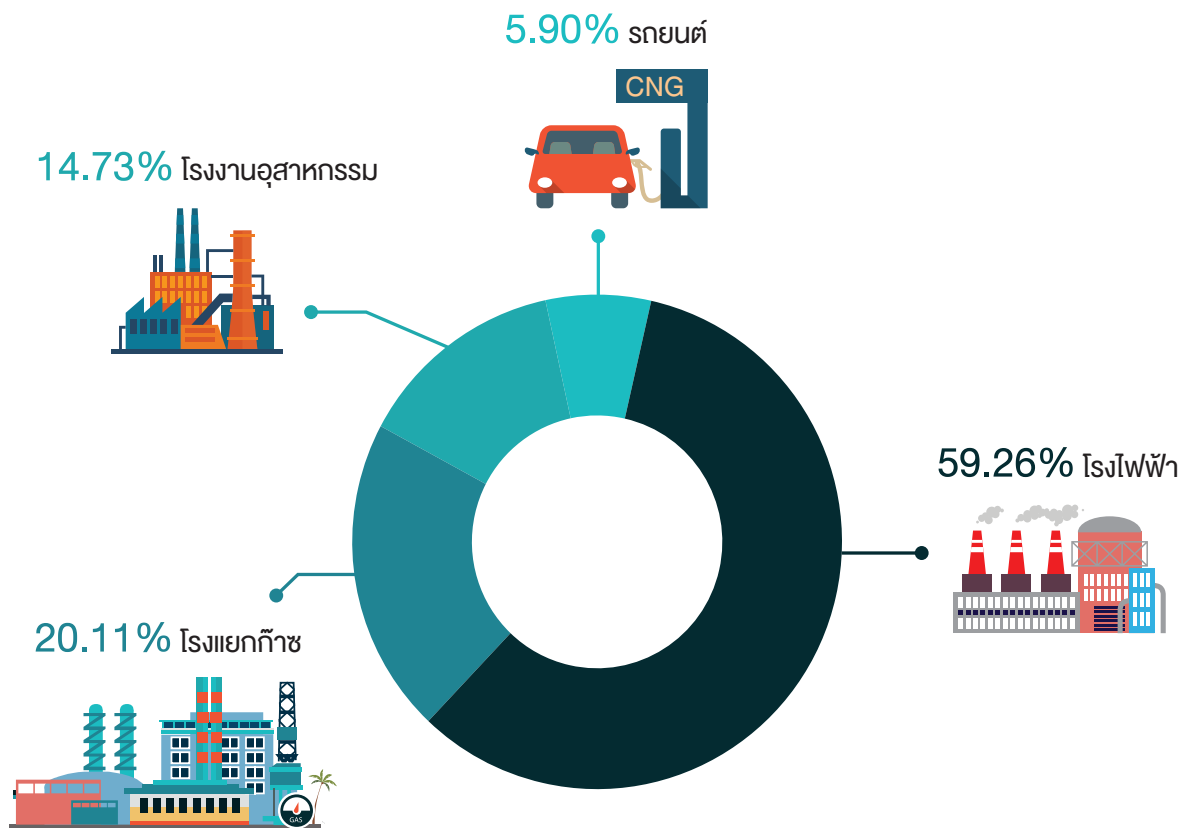


(Unit: Million cubic feet per day)

	2012	2013	2014	2015	2016
Electricity Plants	2,670	2,695	2,740	2,859	2,793
Gas Separation Plants	958	930	960	950	948
Factories	628	635	653	651	694
Cars	278	307	317	304	278
<b>Total</b>	<b>4,534</b>	<b>4,567</b>	<b>4,670</b>	<b>4,764</b>	<b>4,713</b>

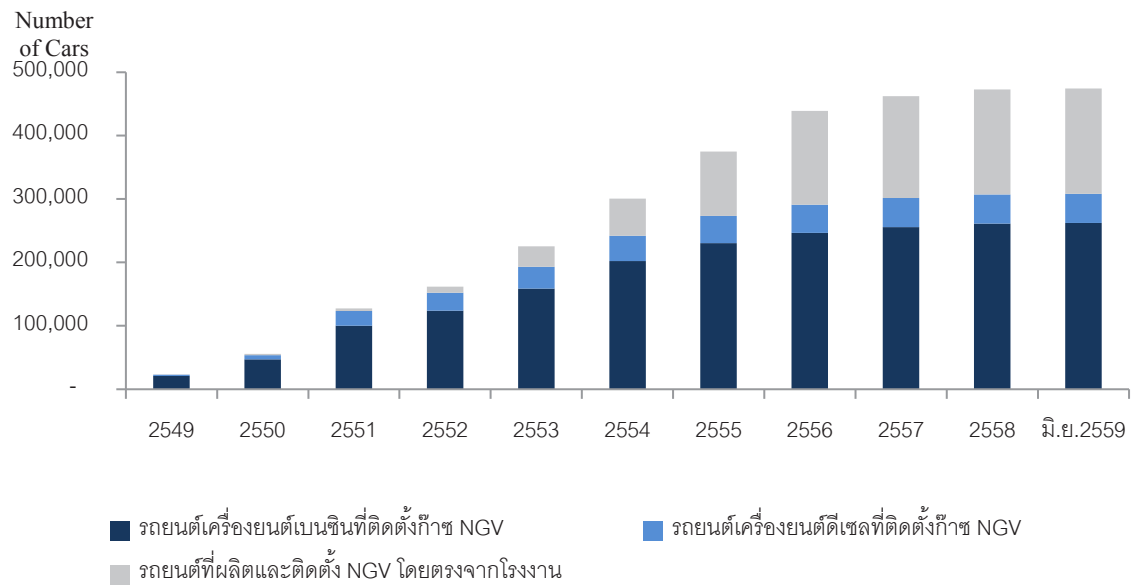
Soucre: Energy Policy and Planning Office, Ministry of Energy

The use of natural gas in Thailand in 2017 was most used in electricity generation of 59.26%, the second was the gas separation plant for using as raw materials of various industries such as petrochemical industry, which accounts for 20.11%, the using of natural gas in factories was 14.73% and the using of natural gas for transportation (CNG) was 5.90%.



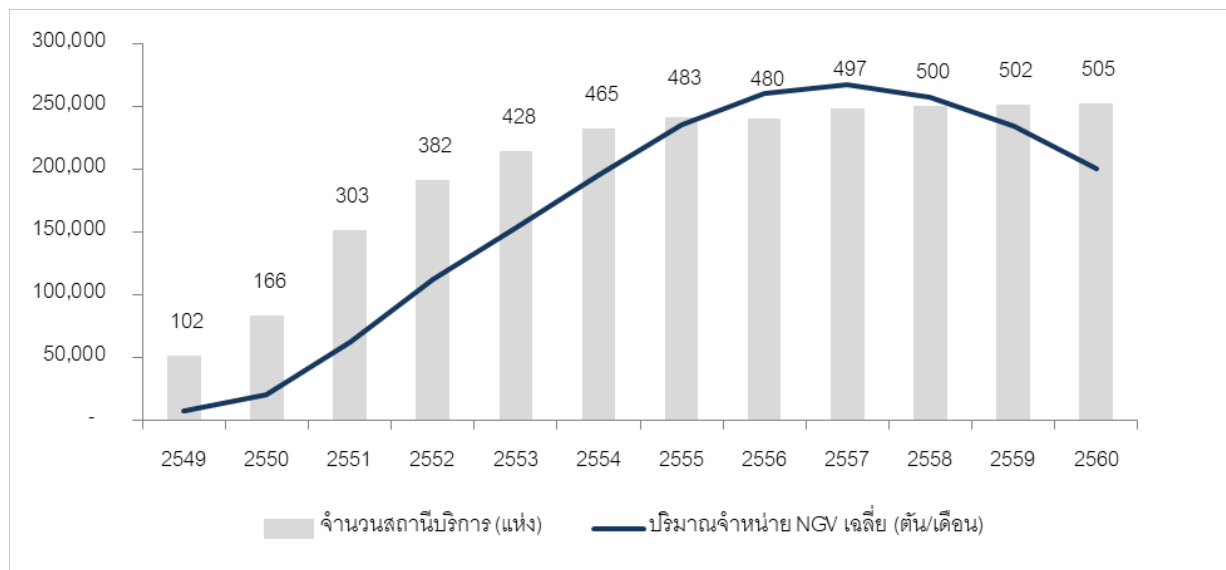
Soucre: Energy Policy and Planning Office Ministry of Energy

### 2.4.1.5 Volume of NGV cars in Thailand



### 2.4.1.6 NGV gas station and NGV monthly sales volume

Average Sale Volume of  
NGV (Ton per month)

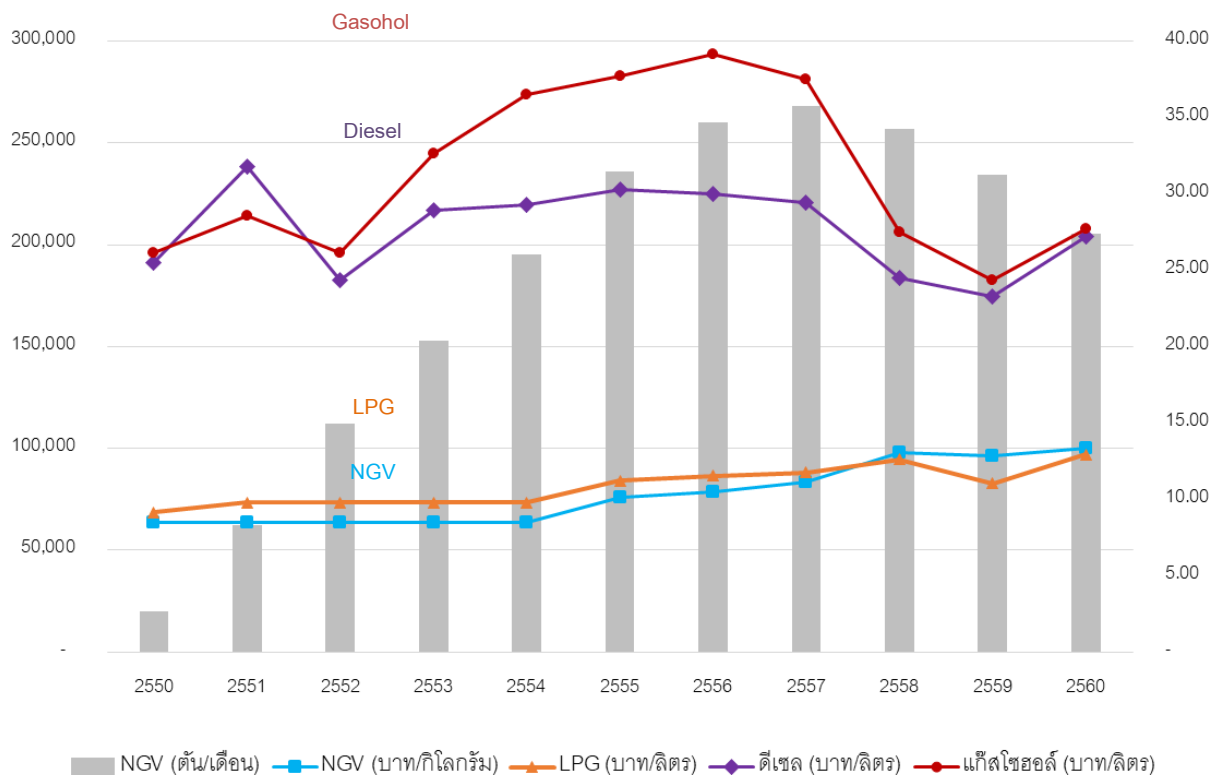


Soucre: PTT Public Company Limited

Statistics from 2006 to 2017, NGV related industries continue to grow. The number of NGV vehicles increased from 23,496 units in 2006 to 474,297 units in June 2019 or an average annual growth rate of 35.05 percent. The average NGV sales volume increased from 7,779 tons per month to 234,216 tons per month or an average annual growth rate of 40.56%. The number of service stations in the year 2017 increased from 102 (in 2006) to 505 or the average growth rate of 17.28%

### 2.4.1.7 Average NGV sales volume for motor vehicles And the movement of fuel prices.



Average Sale Volume of  
NGV (Ton per month)Price  
(baht)

Soucre: Energy Policy and Planning Office Ministry of Energy and PTT Public Company Limited

During 2007-2011, the government provided support to natural gas by fixing NGV prices low and helping to offset NGV prices that did not reflect market prices. The use of NGV has been very popular and has grown significantly. This is because the price is lower than the price of gasoline, diesel and LPG, which is continuing to rise.

In 2012 - 2014, the government began to cancel compensation and start raising NGV prices to reflect real cost increases to reduce the burden of subsidizing NGV prices at a higher price, according to the global price mechanism, the oil price has started to stabilize in 2013-2014. In 2015, oil prices have dropped significantly. This would affect the average NGV sales volume that fell from 267,907 tonnes per month in 2557 to 256,999 tonnes per month in 2015 or down 4.07%, while the domestic NGV retail price was at 13.00 Baht to Baht 13.50 for LPG price in the period of 2012 - 2015, the Energy Policy Committee has revised the calculation formula for LPG procurement costs to reflect the actual cost of LPG of which it uses price weight formula from 3 sources as follow: Oil Rrefinery Plant, Gas Separation Plant and the world price (LPG Pool Price), effective from February 2015. This will result in the retail price change and it will adjust according to the cost of wolrd market. In 2013, the average LPG price is 12.63 baht / liter or 23.39 baht / kg.

In the year 2017, the oil price has increased slightly from the year 2016, still at the level of 25 - 26 baht per liter, which is still low compared to many years ago. Energy (NR) is set to float the

price of natural gas for vehicles (NGV) conditional by providing PTT insurance up to 13.50 baht per kilogram. The reduction of NGV consumption for LPG on December 2, 2017, the MPC has agreed to liberalize the LPG business in two phases, phase 1 The transition period before the liberalization of the whole system. It has been operating since January 2017 and the second phase of systematic liberalization. It will start under the consideration of the Department of Energy Business. The market is ready for competition in both production and procurement.

#### 2.4.2 Government policies affecting NGV

Year	Events
1993	- Initiating of using NGV in Bangkok Mass Transit Authority Bus
2000	- Commencing of NGV taxies of 1,000 cars - Cabinet has resolved to determine the NGV price at 50% of the diesel oil price
2002	- The retail price of NGV was adjusted to 65% of the benzene 91 oil price in year 2009 at Baht 10.34 (the oil price was Bath 14 – 15 per liter)
2005	- Determination of using NGV in replacement of oil of 10% Renewable fuel use by NGV from 10% by extension of NGV station from 31 stations to 180 stations in 2008.
2007	- National Energy Policy Committee has resolved to adjust the NGV price to reflect the actual cost. - Energy Policy and Planning Office has asked for cooperation of selling NGV at Baht 8.50 per Kg in 2007 – 2008 and thereafter the NGV price increased to Baht 12.00 per Kg in 2009 and Baht 13.00 per Kg in 2010 and 2011 to reflect to the actual cost.
2008	- Cabinet has resolved to promote the NGV instead of oil for 20%.
2009	- Cabinet has slowed down the increase of NGV price as per the previous policy. - Cabinet has determined the NGV price at Baht 8.50 per Kg till August 2010 and the NGV station shall be expanded and assigned the Energy Policy and Management Committee to subsidy the retail price which was lower than the actual. Committee - Cabinet has resolved to authorize the Energy Policy and Management Committee to supervise the retail price of NGV similar to the oil price - National Energy Policy Committee has resolved to approve the oli fund for subsidizing the NGV price at Baht 2.00 per Kg but not exceeding Baht 300 million per month
2010	- Cabinet has resolved to maintain the NGV price and subsidize at Baht 2.00 per Kg
2011	- Cabinet has resolved to maintain the NGV price and subsidize at Baht 2.00 per Kg - Cabinet has resolved to maintain the NGV price and subsidize at Baht 2.00 per Kg till 15 January 2012 and increase the price at the rate of Baht 0.50 per Kg every month till December 2012 and reduce the subsidy.
2012	- National Energy Policy Committee has resolved to maintain the NGV price at Baht 10.50 and cancel the subsidy .

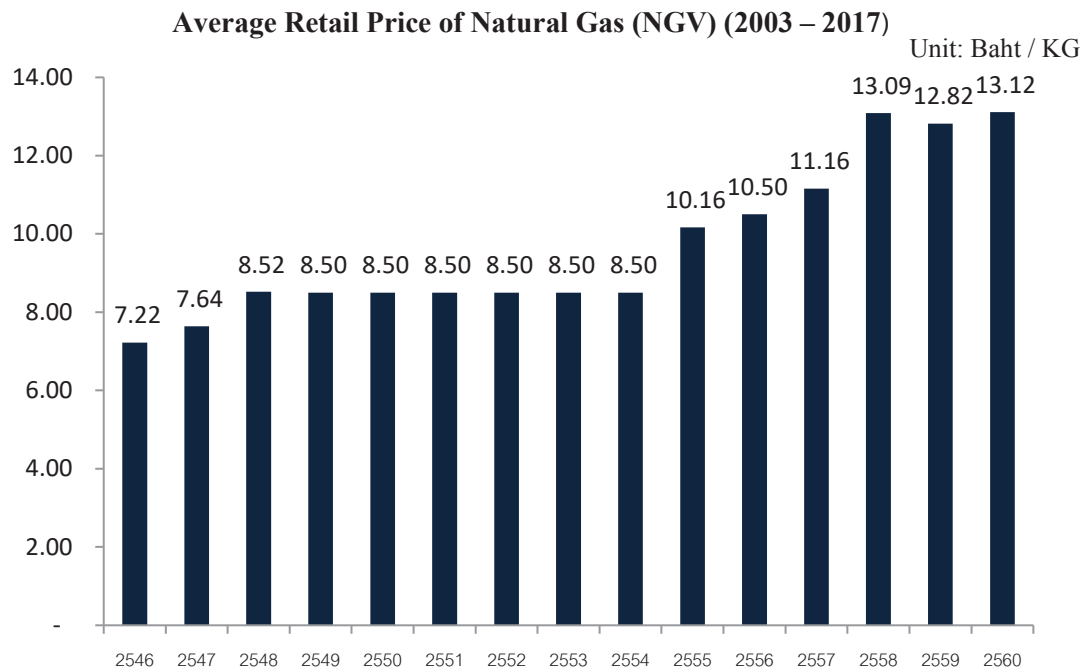


Year	Events
2014	<ul style="list-style-type: none"> <li>- The National Energy Policy Committee has resolved to increase the retail price of NGV for personal cars by Baht 1.00 per Kg from the original price at 10.50 per Kg to Baht 11.50 per Kg from October, 1 2014.</li> <li>- The National Energy Policy Committee on 30 September 2014 has resolved to increase the retail price of NGV for personal cars by Baht 1.00 per KG from the original price at 10.50 per Kg to Baht 11.50 per Kg from October, 1 2014 and maintain the retail price for public buses at Baht 8.50 per Kg to reflect the actual cost and reduce the burden of subsidizing the NGV price from PTT.</li> <li>- On December 2, 2014, the National Energy Policy Committee has resolved to raise the retail price of NGV gas for personal cars by Baht 1.00 per kilogram. The average daily wage is Baht 11.50 per Kg to Baht 12.50 per kg. As of December 3, 2014, the retail price of NGV gas for public buses has increased by Baht 1.00 per Kg from the original price was Baht 8.50 per kilogram to Baht 9.50 per Kg from December 3, 2014</li> </ul>
2015	<ul style="list-style-type: none"> <li>- On January 30, 2015, the National Energy Policy Committee has resolved to adjust the NGV retail price for personal cars to Baht 0.50 per Kg from Baht 12.50 per kilogram to Baht 13.00 per Kg from January 31, 2015, the NGV price for public buses will be adjusted at Baht 0.50 per Kg from Baht 9.50 baht per Kg to Baht 10.00 per Kg from January 31, 2015.</li> <li>- On September 7, 2015, the National Energy Policy Committee approved the increase in NGV retail prices for personal cars by Baht 0.50 per kilogram from Baht 13.00 per Kg to Baht 13.50 per Kg to reflect the actual cost and market conditions and maintain the retail price of NGV for public buses is Baht 10.00 per Kg which was effective from September 8, 2015.</li> </ul>
2016	<ul style="list-style-type: none"> <li>- On January 20, 2016, the National Energy Policy Committee decided to float the NGV price from January 21, 2016 to July 15, 2016, asking PTT to set a ceiling for retail NGV gas prices at 13.50 baht per Kg. If during that time, the cost of NGV is lower than 13.50 baht per Kg, it shall adjust the retail price of NGV for general cars to reflect the actual cost. From July 16, 2016 onward, the NGV price for general cars will be adjusted to reflect the actual cost of NGV according to the results of the Energy Research Institute, Chulalongkorn University The private operating expenses were at Baht 3.4367 per Kg. In calculating the retail price of NGV and in terms of the cost of the average natural gas (Pool Gas), use the average price of the previous month's gas pool and to adjust the retail price of NGV gas to reflect the average cost of gas pool last month on each 16th of each month. In addition, the NRC also agreed to adjust NGV transportation costs outside the radius of 50 kilometers from the main station to the actual distance. The NGV transportation rate is 50 kilometers outside the radius of the main station at Baht 0.0150 per Kg. The maximum is Baht 4 per Kg which is effective from 21 January 2016 onwards.</li> </ul>

Soucre: Energy Policy and Planning Office Ministry of Energy and PTT Public Company Limited

The government has decided to float the price of NGV gas. To reflect the true cost. Effective from January 21, 2016 onwards, the floating NGV price may not directly affect the company. The main income of the company. This is due to the compressed gas contracted by the minimum gas volume. It is only PTT's responsibility to allocate gas to PTT. During each month if the total volume of gas PTT receives is lower than the amount received each month, PTT will pay

compensation for the gas volume of the deficit. The only compensation for investment (AP) to the company. Under the contract to compress natural gas.



Soucre: Energy Policy and Planning Office Ministry of Energy and PTT Public Company Limited

### 2.4.3 Competition

#### 1) Private Mother Station (PMS)

The investment in NGV private mother station requires substantial amount of capital because the business requires large area of land which must connect with PTT's natural gas pipelines and the equipment used in the business, such as natural gas compressor and filling equipment, are costly. The business also requires engineering expert with particular knowledge and expertise as natural gas has high pressure. It can be dangerous without due care and engineering expert looking after the system.

The Company is equipped with capital for investment in respect of land and equipment required for operating private mother stations. It also has knowledgeable and experience personnel with expertise in engineering. Given such factors, the Company is a leading operator of natural gas private mother station for PTT and the Company is one of the first private companies to operate this business. In addition, operating private natural gas mother station business is a concession business. The business operator must have thorough knowledge and experience with readiness in respect of investment capital and personnel. Therefore, there is a high barrier of entry for the business.

At present, there are 19 natural gas private mother stations of which 15 stations are operated by PTT and 4 stations are operated by private operators. The Company had been appointed to operate 2 natural gas private mother stations, located in Pathum Thani Province and Saraburi Province. The number of stations operated by the Company accounts for 50% of the total number of stations operated by private operators. The other two private stations are operated by Scan Inter Public Company Limited and Winnergy Corporation Company Limited, the details of which are as follows:





Operator Name	Location of Station	Minimum Production Quantity of Compressed Natural Gas per Contract	Expiration of Contract
Scan Inter Public Company Limited	Bang Krabue Sub-district, Samkhok District, Pathum Thani Province	350 ton/day	2029
Winnergy Corporation Company Limited	Rajathewa Sub-district, Bangplee District, Samutprakarn Province	350 ton/day	2029

Source: SEC Filing (Form 56-1) of Scan Inter Public Company Limited and the Company.

At present, the Company does not have any direct competitor because the operation of natural gas private mother station is pursuant to the natural gas compression contracts with PTT. However, upon expiry of the term of such contracts and if the contracts are not renewed, the Company may have competitors as it has to bid for operating natural gas private mother stations in the future.

## 2) NGV conventional gas station along ex-pipeline

NGV conventional gas station along ex-pipeline operator purchases and compresses natural gas at appropriate pressure and then retail sell compressed natural gas to vehicles. Such policy includes a condition that PTT will be responsible for procurement and sale of natural gas along ex-pipeline to private operators. The private operators shall invest in full-service NGV business, ranging from construction of pipeline from PTT's natural gas pipeline to Metering and Regulating Station (M/R Station) which controls gas pressure and measures production quantity of compressed natural gas, construction of M/R Station, construction of pipeline from M/R Station to NGV service station and construction of NGV service station. The sale and purchase of natural gas shall be by heating value (Baht per million BTU) in accordance with pricing structure determined by the government.

At present, there are two ex-pipeline stations in operation. The operators of such stations are Best NGV Company Limited and Somkiat Transportation (2004) Company Limited. The stations are located in Saraburi Province with maximum natural gas compression capacity of 20 tons per day, commencing their operations around the end of 2016 to early 2017. There will be five additional stations which are in the process of submitting proposal to operate. Such additional stations will be located in Chai Nat Province, Nakhon Sawan Province, and Saraburi Province.

## 2.4.4 Product and Service Procurement

### (2) Procurement of natural gas and inert gas for enhancing quality of natural gas

Since PTT will procure natural gas for the Company during the whole term of the NGV compression contract, therefore, natural gas is not considered as the Company's raw material. Although PTT bears the risk of natural gas procurement, the Company will be affected in case PTT cannot procure natural gas for the Company.

As heating value of natural gas procured by PTT is not appropriate for vehicles, the Company has to add appropriate quantity of inert gas such as carbon dioxide (CO<sub>2</sub>) or nitrogen (N<sub>2</sub>) to enhance quality of natural gas according to regulatory standard as prescribed for vehicles by the Department of Energy Business. The heating value as prescribed under the relevant regulations or Wobbe Index (W.I.) must be between 37 – 42 megajoule per square meter. Such inert gas are

ones of the Company's raw materials. The Company has entered into purchase contract for carbon dioxide (CO<sub>2</sub>) and nitrogen (N<sub>2</sub>) with a sole local supplier, namely Linde (Thailand) Public Company Limited for the contract term of 5 – 6 years. Although the Company has a sole supplier for inert gas, it has a supplier list of inert gas for comparison purpose.

### (3) Procurement of machinery

The key machinery for operating private mother station business is natural gas compressor and natural gas filling equipment. The Company purchased machinery from a local supplier for Pathum Thani Private Mother Station. For Saraburi Private Mother Station, the Company purchased machinery from a reputable foreign supplier and hired a local company with expertise and experience to install such equipment.

### (4) Procurement of equipment and spare parts

The Company purchases equipment and spare parts directly from foreign manufacturer and local distributor. However, in order to reduce the number of importation of such equipment and spare parts from overseas, the Company has engaged a local company to develop and improve such equipment and spare parts which have work efficiency equivalent to imported equipment and spare parts. As a result, the Company was able to reduce its costs of equipment and spare parts.

## 2.1.5 Benefits from the Promotion Certificate of Board of Investments

The Company received the benefits from the investments by obtaining the promotion certificate of the Board of Investments under the Investment Promotion Act B.E. 2520 of which the Company shall comply with the terms and conditions as set out in the promotion certificate.

Beneficiary	No. of Certificate	Date	Starting Date and Expiry Date	Benefits under the Promotion Certificate
The Company (Pathumthani branch)	1876(1)/2552	19 November 2009	- October 9, 2009 to October 8, 2017, exemption from corporate income tax for net profits from operating activities - October 9, 2017 to October 8, 2022 has been a reduction in the corporate income tax on profits from investment at the rate of 50 per cent of the normal rate.	For the investment in natural gas station for vehicles - Permission to bring an alien who is a skilled worker or expert and spouses and dependent persons of both types of persons shall come to the Kingdom for a number of periods of time and shall remain in the Kingdom for as long as the Committee deems appropriate. - Permission is granted to bring a foreigner who is a skilled worker or expert to work in accordance with his / her position of work approved by the Board for the period of time permitted to live in the Kingdom. - Exemption of import duty on machinery as approved by the Board. - Exemption of corporate income tax on net income from promoted operations for a period of 8 years commencing from the date of commencement of business operations. - Dividends from the promoted businesses is exempted from corporate income tax at the time of corporate income tax exemption.



Beneficiary	No. of Certificate	Date	Starting Date and Expiry Date	Benefits under the Promotion Certificate
	1876(1)/2552			<ul style="list-style-type: none"> <li>- The corporate income tax for the net profit be reduced to 50% from the normal rate for 5 years from the expiration of the exemption period.</li> <li>- The permission to deduct the expenses in relation to the transportation fees, electricity fees and water fees at 2 times from the actual expenses for the period of 10 years from the operating date.</li> <li>- The permission to deduct the investment cost of installation or construction of facilities at the rate of 25% of the investment cost in addition to the normal depreciation</li> </ul>
The Company (Saraburi branch)	1059(1)/2554	18 January 2011	<ul style="list-style-type: none"> <li>- July 16, 2011 to July 15, 2019, exemption from corporate income tax for net profits from operating activities</li> <li>- July 16, 2019 to July 15, 2024 has been a reduction in the corporate income tax on profits from investment at the rate of 50 per cent of the normal rate.</li> </ul>	<p>For the investment in natural gas station for vehicles</p> <ul style="list-style-type: none"> <li>- Permission to bring an alien who is a skilled worker or expert and spouses and dependent persons of both types of persons shall come to the Kingdom for a number of periods of time and shall remain in the Kingdom for as long as the Committee deems appropriate.</li> <li>- Permission is granted to bring a foreigner who is a skilled worker or expert to work in accordance with his / her position of work approved by the Board for the period of time permitted to live in the Kingdom.</li> <li>- Exemption of import duty on machinery as approved by the Board.</li> <li>- Exemption of corporate income tax on net income from promoted operations for a period of 8 years commencing from the date of commencement of business operations.</li> <li>- Dividends from the promoted businesses is exempted from corporate income tax at the time of corporate income tax exemption.</li> <li>- The corporate income tax for the net profit be reduced to 50% from the normal rate for 5 years from the expiration of the exemption period.</li> <li>- The permission to deduct the expenses in relation to the transportation fees, electricity fees and water fees at 2 times from the actual expenses for the period of 10 years from the operating date.</li> </ul>

Beneficiary	No. of Certificate	Date	Starting Date and Expiry Date	Benefits under the Promotion Certificate
				- The permission to deduct the investment cost of installation or construction of facilities at the rate of 25% of the investment cost in addition to the normal depreciation

#### 2.1.6 Standards obtained by the Company

Branch	Type of Standard	
Phatumthani	ISO 9001:2008	Management of International Quality and Standard for Private Mother Station (PMS)
	TIS 18001 / OHSAS 18001:2007	Industrial product standard and Occupational health and safety management system : specification for Private Mother Station (PMS)
Saraburi	ISO 9001:2008	Management of Quality System for Private Mother Station (PMS)
	ISO 14001:2004	Environmental management System for Environmental management System
	TIS 18001:2554	Occupational health and safety management system : specification for Private Mother Station (PMS)

#### 2.1.7 Laws and Regulations

1. Notification of Ministry of Energy regarding the rules and safety standard of natural gas station which under responsible of the Department of Energy B.E. 2546 issued under the Hazardous Substance Act B.E. 2535 and the rules and notifications of the Department of Energy.
2. Fuel Control Act B.E. 2542 of the Department of Energy, Ministry of Energy.
3. Building Control (No.5) Act B.E. 2558 of the Ministry of Interior.
4. Planning Act B.E. 2518
5. Hazardous Substance Act B.E. 2535
6. Promotion and Conservation of National Environmental Quality Act, B.E. 2535
7. Land Transport Act B.E. 2522
8. Highway Act B.E. 2535



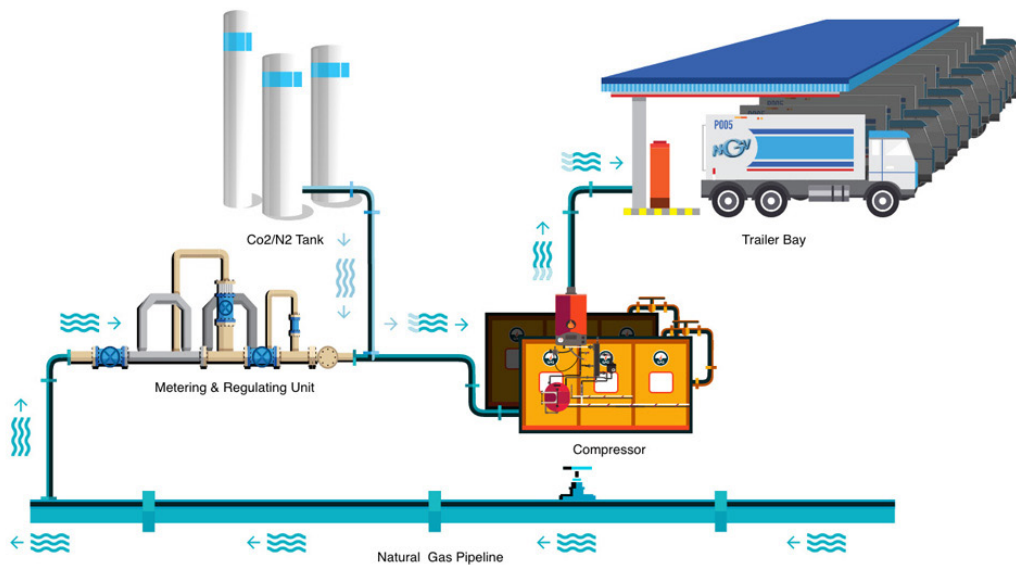


### **Environmental Impact**

The Company intends to provide quality services, together with taking care of the environment. It gives emphasis on management of environment including quality of air and water. The Company prepared environmental impact assessment report (EIA) prior to the construction of natural gas private mother stations. The Company's expert looks after each process of natural gas compression with due care in order to control pollution generated from compression process at the standard level. The Company has strict environmental policy which is in line with its business operation. In addition, the Company engages an external party to conduct annual audit. The annual audit covers of 4 areas which are: 1) measure concentration levels of dust particles and chemical substance in the work environment; 2) heat measure; 3) measure of light intensity; and 4) measure of average sound level. During the past, the Company and its subsidiaries never had any dispute or problem relating to environmental impact.

#### **2.1.9 Non-delivery works**

- None -



### 3. Risk Factors

The investment in the stocks of the Company has risk which investors shall consider the information as set out in this document and shall use prudent judgement for consideration of risk factors under this topic including other information as set out in this document before making any decision on investment in the stocks of the Company.

The risk factors under this topic are the risk factors on which the Company is of the view that they are significant and may create negative impact to the Company and value of ordinary shares of the Company including affecting investment of investors in negative way significantly. The risk factors under this topic evaluate from present circumstance therefore, it may have other risk that the Company cannot foresee them at present or there are risks that the Company considers that it will not significantly affect the business of the Company.

The risk factors for the group's Company that may affect the return of investment of investors significantly can be summarized as follows:

#### (1) **Business Risk**

##### **Risk of reliance on major customer**

The Company conducts its business with one major customer namely PTT which is a sole distributor of NGV of Thailand however, the Company has expertise in the business relating to natural gas therefore the Company recurrently provide the service to PTT by having a long-term hiring contract which is a contract in relation to natural gas compression and establishment of 2 natural gas private mother stations consisting of:

1. Pathumthani Private Mother Station of which a contract has been entered on 17 March 2009 for a period of 20 years following the signing date.
2. Saraburi Private Mother Station of which a contract has been entered on 23 February 2011 for a period of 20 years following the date of which the Company has been awarded on 15 October 2010 therefore the contract will expire in 2030.

For the 6-months ending on 30 September 2017, the Company has revenue generated by natural gas compression business of 229.46 million Baht or equivalent to 92.78% of the total revenue of which it considers that the main revenue of the Company has been generated from sole major customer therefore, if the contract is terminated or PTT terminates the contract, it will have significant negative impact to the operating result of the Company.

However, the Company has the risk management policy for this matter by strictly complying with the contract and delivering of the good quality of services on a regular basis therefore, by complying with this policy, the Company is continually engaged by PTT until present. In addition, the Business Development Department of the Company has studied on the possibility of development of other projects which are projects in relation to expansion for investment in business relating to energy sector to mitigate the concentration risk in the future.

##### **Risk as a result of conditions in the contract with PTT**

Pursuant to the contract in relation to the natural gas compression operating by the private mother station, it may have risk on the conditions in the contract with PTT consisting of:

- 1) The indemnification on any damage arising from the unable to compress the natural gas as guarantee save for PTT suspends to supply natural gas of which the Company shall indemnify the damage of the fulfilled volume of natural gas arising out of PTT needs to procure the compressed natural gas from other sources at the rate of 1.5 times of the compensation for the natural gas compression per day.



- 2) If there have the difference between the natural gas's volume from the meter before delivering to the station and the meter before delivering to the natural gas transportation, the difference which is above 1%, the Company shall compensate the loss for the difference of volume to PTT at the rate as determined by PTT whereby PTT can offset this loss with the compensation for the natural gas compression however, if the Company can proof that the difference occurs due to the failure of the meter system for the volume of natural gas, PTT will negotiate to reduce such loss. During the past operation of the Company. The Company had a record on the compensation for the gas loss which was above 1% and the Company had taken such gas loss as a cost in the financial statement.
- 3) PTT has its right to terminate the contract if the producer and/or concessionaire is lack of natural gas supply for PTT.
- 4) If any force majeure or any other event by third party occurs which is not a failure of any party and if it appears that there have any damages or losses completely to the gas pipeline of PTT and gas sub-pipeline of PTT and/or the natural gas mother station which cannot be restored to the good condition and workable as the standard of general industry and safety within 30 days from the date of such circumstance or other period as determined by both parties, it shall deemed that the contract will be terminated automatically after the lapse of such 30 days or other period as agreed by both parties.

For the circumstance which the Company cannot compress the natural gas as per the minimum volume of natural gas compression guaranteed to PTT, the possibility of this circumstance is quite low due to for Saraburi Private Mother Station, the Company has natural gas compression contract at the minimum of 320 tons per day and has the installed capacity of 400 tons per day which is above the guaranteed minimum volume and for Pathumthani Private Mother Station, the Company has natural gas compression contract at the minimum of 200 tons per day and has the installed capacity of 350 tons per day which is above the guaranteed minimum volume. It can consider that the difference is excess and sufficient for the natural gas compression therefore the risk of natural gas compression is below the guaranteed minimum volume is quite low.

However, the Company has a risk management policy to mitigate such risk and give prioritize on the compliance with the contract with PTT including the delivery of good quality services on continually basis from the first date of operation and the Company also maintains the good relationship with PTT continually.

In addition, the Company also has other risk management plans to cover the risk from the unable to compress natural gas per guaranteed volume, the risk from force majeure of which the Company has maintenance plan for the natural gas compression machine on a regular basis and has a Business Continuity Management plan (BCM) to determine the management of organization in the critical crisis and the determination in relation to the business management for such circumstance that may occur of which all of risk managements are to ensure that the Company is ready for any risk that may occur due to the conditions of the contract with PTT therefore, it is why the Company is continually engaged by PTT until present.

For the early termination due to the damage in relation to the gas pipeline, if there is a gas pipeline within the station, the Company has a system to control the maintenance which is well established. For the part of gas pipeline outside the station, it is under control of PTT whereby the main pipeline has many users including the power plants and factories therefore, the Company believes that PTT will maintain it very well. The damage of outside pipeline to the stage that the pipeline will be suspended is considered as the low risk.

**Risk of reliance of organization or company to supply goods and services for the business**

The Company conducts its business with 2 major organizations or companies to supply goods and services namely Provincial Electricity Authority which is a state-enterprise to distribute the electricity in Thailand and Linde (Thailand) Public Company Limited which is a leader of the supplier of industrial gas products in Thailand.

For the six months period ending 30 September 2017, the Company has cost from the natural gas compression service of which the main service costs include the electricity cost from the natural gas compression which has the electricity rate in accordance with the terms of Provincial Electricity Authority (PEA) on an actual basis and inert gas cost that has been used for the improvement of natural gas quality of 126.38 million Baht equivalent to 89.16% of the total cost of service therefore, it can consider that the service cost of the Company is from 2 major organizations or companies. If Provincial Electricity Authority and Linde (Thailand) Public Company Limited terminate the contract of electricity supply, sale and purchase contract of inert gas and other relevant contracts, it will have significant negative impact to the business operation of the Company.

If there has a circumstance that Linde (Thailand) cannot provide service in relation to the sale of industrial gas according to the contract, Linde (Thailand) Public Company Limited will indemnify the damage and penalty as set out in the sale and purchase contract for industrial gas or if there has a circumstance that Linde (Thailand) Co., Ltd. cannot provide service in relation to the sale of industrial gas according to the contract, the Company is able to procure other suppliers due to there have other 2-3 supplier of industrial gas that are ready to service the Company.

However, during the past period of business operation of the Company, the Company has complied with the contract strictly and was able to pay the electricity cost including the industrial gas cost according to the contract and the Company also believes that the contract can be renewed in the future.

**Risk from the damage of natural gas compression equipment**

Private Mother Station at Sam Khok District, Pathumthani has 6 natural gas compression equipment and Private Mother Station at Kaeng Khoi District, Saraburi has 6 natural gas compression equipment which are used for compressing of natural gas for NGV truck to deliver natural gas to daughter station. The mother station opens 24 hours for 365 days per year whereby the Company has agreed with PTT on the minimum volume of not less than 200 tons per day at Pathumthani Private Mother Station and the minimum volume of not less than 320 tons per day at Saraburi Mother Station. In addition, the Company shall have reserved capacity of not less than 12 tons per hour if the Company cannot comply with this commitment, the Company shall indemnify the damage arising from the difference to PTT at the rate of 1.5 times of the compensation for the natural gas compression therefore, if there have any damage to the private mother station or equipment for natural gas compression and the Company cannot compress the NGV according to the agreement with PTT, the revenue of the Company will reduce and the expense will increase due to the compensation for such damage.

The Company carefully considers this risk therefore, during the past operation of the Company, the Company has maintained and repaired natural gas compression equipment at the private mother station on continually basis in accordance with the monthly preventive maintenance plan for the whole year whereby the Company has a management and operation plan for safety and has rotation plan for natural gas compression equipment of which the average lifetime of each natural gas compression will be the same. Due to having the maintenance and repair plan on a



regular basis, the past operation of the Company, the Company had not compensated any damage to PTT.

In addition, the Company has an insurance to cover risk of assets of the private mother station at Pathumthani and Saraburi in the amount of 181.52 million Baht and 190 million Baht, respectively which will cover building of private mother station including other construction and assets and equipment and third party that injured in the limited liability of not more than 10 million Baht per station. The Company has procured the additional insurance in accordance with the notification of Ministry of Energy re: the rules and procedure of the procurement of insurance according to the laws for any injured person due to the conducting of controlled business type 3 B.E. 2557 (2014) in the amount of not more than 5 million Baht per incident for each station.

#### **Risk from accident in the private mother station**

In the private mother station of the Company, it is considered as the part which generates revenue to the Company therefore, it may have risk if there has any accident occur in the station even the Company has insurance for risk of assets of t Pathumthani Private Mother Station and Saraburi Private Mother Station in the amount of 181.52 million Baht and 190 million Baht, respectively of which such insurance amounts have been specified the insured assets in the sufficient amount to cover building of private mother station including other construction and assets and equipment and third party that injured in the limited liability of not more than 10 million Baht per station. The Company has continued to procure the additional insurance in accordance with the notification of Ministry of Energy re: the rules and procedure of the procurement of insurance according to the laws for any injured person due to the conducting of controlled business type 3 B.E. 2557 (2014) in the amount of not more than 5 million Baht per incident for each station on annual basis.

However, from the past operation of the Company, there were no serious accidents in the private mother stations of the Company due to the Company has determined the measure for safety of the natural gas station for vehicle and the Company has complied with standard manual for natural gas service station as determined by PTT and has procured the employees to comply with those measure and manual strictly including having control of outsider when they come to use the service and the Company also has been certified in accordance with TIS 18001 standard which is a standard of industrial product relating to occupational health and safety management system for private mother station of which the Company has been certified for both of Pathumthani and Saraburi stations.

#### **Risk form lack of natural gas**

Due to the main business of the Company is natural gas compression of which this business is relevant to natural gas and is reliance on the natural gas generated by the pipeline of PTT, if there have any disruption on the pipeline of PTT and there have any temporally suspension on distribution of natural gas, the Company may not be able to provide natural gas compression service although this circumstance will not be penalized by PTT however the Company may have loss of revenue from normal business.

However, the possibility for the occurrence of such risk is quite low due to PTT has monitored the movement of supply and demand of natural gas in accordance with the movement of natural gas price in the world market and the policy of government sector including coordinating with sellers and customers to review and improve the supply plan of natural gas and LPG for short term and long term on a regular basis therefore it can handle any unpredictable circumstances including any impact when emergency and critical circumstance occurs whereby PTT has negotiated to procure natural gas from many sources in Thailand and has also negotiated to



procure liquefied natural gas (LNG) from sellers in other countries around the world. PTT has determined the plan for procurement of additional natural gas by having the plan to expand the LNG terminal phase 1 to have input capacity for LNG of 11.5 million tons per year and to invest in pier and LNG terminal no. 2 to support the higher volume of LNG and to support the demand of natural gas in Thailand as well as to mitigate the risk that may occurs due to the lack of natural gas in the future of which the procurement of natural gas of PTT according to the sale and purchase contract for natural gas with onshore and offshore sellers, totaling 15 contracts, they have determined the guaranteed minimum purchasing volume which shall be taken by PTT if PTT cannot purchase natural gas in accordance with the guaranteed minimum purchasing volume as set out in the contracts, PTT shall pay the natural gas price in the part that PTT cannot take (Take or Pay). In addition, pursuant to the contract in relation to the natural gas compression by the private mother station, it states that if there have any change of laws, change of fuel price or lack of natural gas or natural gas is not sufficient for the domestic demand and either party may disadvantage or may have significant damage due to such party is obliged to continue to comply with terms of contract, the party who suffers from such damage can exercise its right to amend the contract and the parties shall have a meeting within 30 days upon request by other party. If the parties agree to amend the contract, the parties can amend and execute the amended contract.

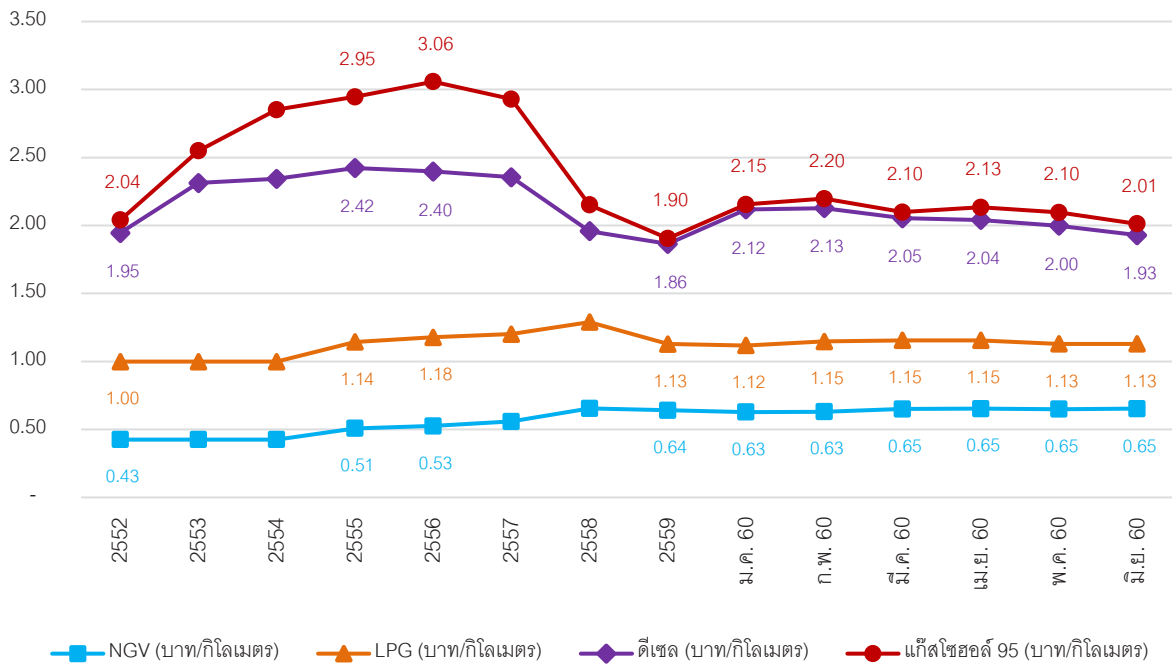
#### **Risk from floating of NGV price of government sector**

Due to on 20 January 2016, the government has resolved to float the NGV price to reflect to actual cost of which in the past the price has been controlled and such floating of price shall be effective from 21 January 2016 onward under the condition that during the period of 6 months from January to June 2016, PTT was required to maintain the retail price at 13.50 Baht per kilogram and thereafter, the price can be increased or decrease based on the actual cost of which the price shall be announced on the date of 16<sup>th</sup> of every month. During such period, the oil price is decrease and the NGV price has been floated therefore the difference between oil price and NGV price is slight resulting in the number of vehicles that use NGV are decrease and they will return to use oil instead.

Due to the difference between the oil price and NGV price is slight, it will result in the volume of the natural gas compression of the Company is decrease which may affect the Company's revenue in the part of revenue from energy payment (EP) while the revenue from availability payment (AP) which is a stable will not have any impact due to PTT will pay the consideration for the absence amount of natural gas compression to the Company according to the contract for hiring of natural gas compression which has specified the minimum volume of natural gas compression of 200 tons per day for Pathumthani station and of 320 tons per day for Saraburi station.

#### **Risk from the decreasing of difference between the oil price and NGV price and the decreasing of the demand of NGV**

Due to NGV is an alternative fuel for vehicle and NGV price is lower than the oil price such as benzene oil and diesel oil which the car users will use NGV as the alternative fuel more if the difference between the NGV price and oil price is at the high level. On the other hand, if the difference between the NGV price and oil price is at the low level, the car users will reduce to use NGV although the Company will not carry out the sale of NGV which is a business that will suffer from the change of the difference between NGV price and oil price however, the NGV industry will suffer from the decrease of demand of which if the demand of NGV is decrease, it may reduce the volume of natural gas compression of PTT or it may reduce the expansion of NGV business of PTT which may affect the present revenue of the Company and the capability of natural gas compression business expansion of the Company in the future.



Source: Energy Policy and Planning Office (EPPO), Ministry of Energy and PTT Public Company Limited and website: [www.gasthai.com](http://www.gasthai.com)

Remark: the reference of fuel price per kilometer by testing of sample of many models and types of cars and using average speed in many levels including testing in different locations and environments therefore, the testing result of oil consumptions may be different due to such factors including relevant technology and other factors at the testing period. The oil consumptions may be different due to the testing of each organization.

However, if we consider the graph of the comparison between the fuel price per kilometer during 2009 to June 2017, it will realize that the difference between the NGV price and other types of fuels is the NGV price per kilometer is lower than other type of fuels although in 2015, the diesel price and gasohol 95 price per kilometer are significant decrease and from such significant decreasing of oil price in the world market including LPG, it appears that although LPG price has dropped in 2016 due to the price in the world market has dropped however the demand of NGV in vehicle is valuable not less than the using of LPG due to at present, the government remains support and compensate the LPG price therefore the LPG price is not in line with the actual cost. If there is necessary to consider the status of oil fund including the guideline on the adjustment of LPG to in line with the cost in the world market in the future, it may consider having free trade of LPG of which it will affect the LPG price which will be in line with the actual cost of which it will create the more difference between LPG price and NGV price.

Based on the aforementioned, it can consider that the price per kilometer of NGV is the lowest price although the NGV price has been floated in 2015 therefore it can believe that there have customers which continues to use NGV, particularly transportations and trucks.

### Risk from the change of environment under emergency or crisis

The Company has a risk from the change of environment from inside and outside such as the change of technology, the change of competitor's strategy, form of industrial and domestic and international market conditions including the other critical crisis of which such factors as mentioned above are considered as the risks that may occur to the Company in the future. However, the Company understands that the importance of the risk management under unpredictable circumstances and considers that the risk management is the significant part of all

process of carrying out the business which connects to all levels therefore the Company has prepared the Business Continuity Management plan (BCM) which is a working group consisting of managements, managers, and head departments of the Company to determine the procedure of business management in the critical crisis.

**Risk from the operation in accordance with the future project of the Company's group**

The Company has risk from proceeding with the future project by establishing of NGV conventional station – Ex-pipeline type at Nakhon Sawan Province which will be the same line of onshore natural gas pipeline of which such project may not in line with the plan due to the delay of procurement of machine and equipment, the delay of construction and installation of machine and relevant equipment, the technical issue and the approval from the relevant authorities.

**(2) Risk on the management of business**

**Risk from the lack of skilled employee**

Due to the Company's business is relevant to the works relating to engineering, equipment and natural gas which is the business type that difference from the general equipment including the co-working with other companies which use international standard therefore, the employees shall have skills. The lost of the experienced and skilled employees such as chief engineer or other supervisors may affect the Company's operation of which the Company is aware of this risk therefore the Company focuses on maintain and develop its employees and human resources by giving the appropriated compensations and knowledge and experience including supporting the employees to attend seminar every year.

**Risk from having major shareholder which can influence the determination of management of business policy**

As of March 15, 2018, Sumethchotimetha's family holds shares in the Company representing 53.80% of the paid-up capital. In addition, Mr. Chutchai Sumethchotimetha also holds the position of Chief Executive Officer and he is the authorized director of the Company. The minority shareholders may be a risk that the major shareholders will influence the management policy in a certain direction and can control the policy and management in the Company including control over approval of resolutions of shareholders except for the matters which are required by laws or the Company's Articles of Association to be resolved by a three-fourths vote of the shareholders attending meeting, the other shareholders may not be able to collect the votes to scrutinize and balance the matters proposed by the major shareholders.

However, for transparency in management and monitoring and balance of power, management and directors, the Company has appointed the Audit Committee to ensure the check and balance and other matters before proposing to the shareholders' meeting for approval. To avoid conflicting matter and to create transparency in the operation of the Company, there are also 6 directors from 11 who are not a director nominated by Sumethchotimetha's family therefore, it can consider all matters to be proposed to the shareholders' meeting.

**(3) Risk on the investment of securities holder**

**The risk on price of ordinary shares of the Company which may fluctuate resulting in significant loss to investors who purchase ordinary shares of the Company.**

The price of ordinary shares of the Company may significantly change depend on several factors whereby such factors are out of control of the Company such as:

- View on business opportunity and operating result of the group's Company and energy sector and general utilities.



- Variation between financial result and actual operating result and financial result and operating result expected by investors and analysts
- Change of recommendation or view of analysts
- Change of market price valuation and share price of the listed companies which carry out the similar business as the Company and fluctuation of stock price on the Stock Exchange of Thailand
- Change of conditions that may affect business relating to natural gas or general economic condition or market condition of the Stock Exchange of Thailand or other circumstances or factors

Therefore, from several factors as mentioned above including other factors, the ordinary shares of the Company may be traded at the price lower than the offering price significantly.



## 4. General Information and Other Important Information

### 4.1 General information of the Company

Company name	:	Sakol Energy Public Company Limited
Ticker symbol	:	SKE
Head office's address (Natural gas station in Pathum Thani)	:	No. 15 Moo 1, Chiang Rak Noi Sub-district, Sam Khok District, Pathum Thani Province 12160
Natural gas station's address in Saraburi	:	No. 168 Moo 4, Tha Maprang Sub-district, Kang Koi District, Saraburi Province 18110
Office address in Bangkok	:	No. 252/108(B), 252/109 (C), 21 <sup>st</sup> Floor Muang Thai- Phatra Complex, Ratchadaphisek Road, Huai Khwang Sub-district, Huai Khwang District, Bangkok 10310  <i>(The Company registered its branch office with the Department of Business Development, the Ministry of Commerce on 14 November 2017, and registered the cancellation of No. 444, 6<sup>th</sup> Floor Olympia Thai Tower Building, Ratchadaphisek Road, Samsen Nok Sub-district, Huai Khwang District, Bangkok 10310 on 5 January 2018.)</i>
Company registration number	:	0107559000443
Type of business	:	Resource
Business sector	:	Energy and public utilities
Registered capital	:	Baht 465,000,000 as of 31 December 2017
Paid-up capital	:	Baht 465,000,000 as of 31 December 2017
Par value	:	Baht 0.50
Telephone	:	02-593-7217
Facsimile	:	02-593-7216
Website	:	<a href="http://www.sakolenergy.com">http://www.sakolenergy.com</a>





## 4.2 General information of subsidiaries

1. Name : SK 15 Company Limited  
Head office's address : 15 Prasert-Manukitch Road, Sena Nikhom Sub-district, Chatuchak District, Bangkok 10900  
Company registration number : 0105557134459  
Type of business : Renting out real estate  
Business sector : Real estate  
Registered capital : Baht 140,000,000 as of 31 December 2017  
Paid-up capital : Baht 140,000,000 as of 31 December 2017  
Par value : Baht 100 per share  
Telephone : 02-593-7217
2. Name : Energy Biomass Power 15 Company Limited  
Head office's address : No. 15 Moo 1, Chiang Rak Noi Sub-district, Sam Khok District, Pathum Thani Province 12160  
Company registration number : 0135557018734  
Type of business : During the process of feasibility study on biomass power plant business  
Business sector : Energy and public utilities  
Registered capital : Baht 62,000,000 as of 31 December 2017  
Paid-up capital : Baht 62,000,000 as of 31 December 2017  
Par value : Baht 100 per share  
Telephone : 02-593-7217
3. Name : RE Biofuels Company Limited  
(was a subsidiary of the Company In February 2018)  
Head office's address : No. 3 Promphan 3 Building, 7<sup>th</sup> Floor, Unit 706, Soi Ladprao 3, Chompol Sub-district, Chatuchak District, Bangkok 10900  
Company registration number : 0105560117390  
Type of business : production and distribution of compressed biomethane gas with the production capacity of 9,000 kilograms per day

Business sector	:	Energy and public utilities
Registered capital	:	Baht 15,000,000 as of 6 March 2018
Paid-up capital	:	Baht 15,000,000 as of 6 March 2018
Par value	:	Baht 100 per share
Telephone	:	02-542-2357

#### 4.3 Information of other reference person

##### 1. Securities registrar

Name	:	Thailand Securities Depository Company Limited
Head office's address	:	The Stock Exchange of Thailand Building 65 Ratchadaphisek Road, Klong Toey Sub-district, Klong Toey District, Bangkok 10110
Telephone	:	02-229-2800
Facsimile	:	02-359-1259

##### 2. Auditor

Name	:	KPMG Phoomchai Audit Limited
Head office's address	:	195, 50 <sup>th</sup> – 51 <sup>st</sup> Floor Empire Tower, South Sathorn Road, Yannawa Sub-district, Sathorn District, Bangkok 10120
Telephone	:	02-677-2000
Facsimile	:	02-677-2222

##### 3. Legal counsel

Name	:	The Capital Law Office Limited
Head office's address	:	44 Smooth Life Tower 18 <sup>th</sup> Floor, North Sathorn Road, Silom Sub-district, Bangrak District, Bangkok 10500
Telephone	:	02-633-9088
Facsimile	:	02-633-9089

(acting as a legal counsel until the date of initial public offering)

##### 4. Financial advisor

Name	:	KT Zmico Securities Company Limited
Head office's address	:	16 <sup>th</sup> Floor Liberty Square Building



287 Silom Road, Silom Sub-district, Bangrak District,  
Bangkok 10500

Telephone : 02-695-5000

Facsimile : 02-631-1702

#### 4.4 Other important information (if any)

-None-





## Part of 2

### Management and Corporate Governance

60 - 63	Securities and Shareholders Information
64	Policies on dividend payment
65 - 78	Organization Chart
79 - 98	Policies on good corporate governance
99 - 108	Internal Control and Risk Management
109 - 110	Internal Control and Risk Management
111 - 123	Related Party Transactions





## 5. Securities and Shareholders Information

### 5.1 Registered capital and paid-up capital

As of 30 September 2017, the Company has a registered capital of Baht 465 million and an issued and paid-up capital of Baht 346.40 million, consisting of 692.80 million ordinary shares, with a par value of Baht 0.50 per share.

Later, the Company scheduled an offering date to sell ordinary shares in the amount of 237.20 million shares with a par value of Baht 0.50 per share. The selling price was Baht 1.80 per share and the period of subscription payment was from 14 November 2017 to 16 November 2017. The total amount of the Company's shares subscribed by investors was 237.20 million shares with a par value of Baht 0.50 per share. The total amount received from the share offering was Baht 426.96 million.

After the initial public offering, the Company had an issued and paid-up capital of Baht 465.00 million, consisting of 930.00 million ordinary shares, with a par value of Baht 0.50 per share.

As of 31 December 2017, the Company had a registered capital of Baht 465.00 million and an issued and paid-up capital of Baht 465.00 million, consisting of 930.00 million ordinary shares, with a par value of Baht 0.50 per share.

The resolutions made by the Extraordinary Shareholders' Meeting No. 1/2016 held on 1 September 2016 resolved to approve the issuance and offering of ordinary shares of 237.20 million shares with a par value of Baht 0.50 per share for the initial public offering.

### 5.2 Share transfer restriction

Shares in Sakol Energy Public Company Limited can be transferred with no restriction. However, a transfer shall not cause the foreign shareholding to exceed 49.00% of the total issued shares of Sakol Energy Public Company Limited.

### 5.3 Shareholding structure

As of 15 March 2018, the top-eleven shareholder names are shown below.

No.	Name of shareholder	Number of shares	Shareholding (%)
1	Mr. Chutchai Sumethchotimetha	289,460,803	31.125
2	Mrs. Aree Sumethchotimetha	206,756,858	22.232
3	Mr. Thanakorn Nunttee	57,733,320	6.208
4	Mrs. Thanaporn Nunttee	57,733,320	6.208
5	Miss Kantanika Nunttee	38,488,880	4.139
6	Mr. Thanapat Nunttee	38,488,880	4.139
7	Thai Life Insurance PCL	20,006,500	2.151
8	Mr. Sarawut Anakatham	5,400,000	0.581
9	Mr. Hafarn HaYeeYusho	5,130,000	0.552
10	Miss Lawan Bunajinda	5,065,000	0.545
11	Mrs. Sujittra Kosrisiriki	5,000,000	0.538
<b>Total</b>		<b>729,263,561</b>	<b>78.418</b>



The group of major shareholders who may significantly influence the determination of policies or business operation of the Company is shown below.

No.	Name of shareholder	Number of shares	Shareholding (%)
1	Mr. Chutchai Sumethchotimetha	289,460,803	31.12
2	Mrs. Aree Sumethchotimetha	206,756,858	22.23
3	Miss Intira Sumethchotimetha	930,661	0.10
4	Mr. Thanapon Sumetchotimaytha	930,661	0.10
5	Mr. Rapepat Sumethchotimetha	930,661	0.10
6	Mr. Jakkraphong Sumethchotimetha	930,661	0.10
7	Mrs. Plearnpit Sumethchotimetha	200,000	0.02
8	Mr. Tanadol Sumethchotimetha	200,000	0.02
9	Mr. Thanakorn Nunttee	57,733,320	6.21
10	Mrs. Thanaporn Nunttee	57,733,320	6.21
11	Miss Kantanika Nunttee	38,488,880	4.14
12	Mr. Thanapat Nunttee	38,488,880	4.14
<b>Total</b>		<b>692,800,000</b>	<b>74.49</b>

#### Shareholders of subsidiary companies

As of 31 December 2017, SK 15 Company Limited's shareholders can be summarized as follows:

No.	Name of shareholder	Number of shares	Shareholding (%)
1	Sakol Energy Public Company Limited	1,399,997	97.00
2	Mr. Chutchai Sumethchotimetha	1	1.00
3	Mr. Monthon Nunttee	1	1.00
4	Mr. Thanapon Sumetchotimaytha	1	1.00
<b>Total</b>		<b>1,400,000</b>	<b>100</b>

As of 31 December 2017, Sakol Energy Biomass Company Limited's shareholders can be summarized as follows:

No.	Name of shareholder	Number of shares	Shareholding (%)
1	Sakol Energy Public Company Limited	619,997	97.00
2	Mr. Chutchai Sumethchotimetha	1	1.00



No.	Name of shareholder	Number of shares	Shareholding (%)
3	Mr. Monthon Nunttee	1	1.00
4	Mr. Jakkraphong Sumethchotimetha	1	1.00
<b>Total</b>		<b>620,000</b>	<b>100</b>

As of 6 March 2018, RE BioFuels Company Limited's shareholders can be summarized as follows:

No.	Name of shareholder	Number of shares	Shareholding (%)
1	Sakol Energy Public Company Limited	112,500	75.00
2	RE Power Group Company Limited	22,497	14.998
3	Fahsang Woodchip Company Limited	15,001	10.00
4	Mr. Gustaf Godenhielm	1	0.0006
5	Mr. Ratchar Pathamapongsar	1	0.0006
<b>Total</b>		<b>150,000</b>	<b>100</b>

#### 5.4 Agreements made and signed between the major shareholders and the Company on matters that affect the offering and sales of securities or the Company's management

The major shareholders of the Company are Sumethchotimetha family and Nunttee family signed an agreement on 12 September 2017 not to engage in business or activities having conflicts of interest that may compete against the Company's business in the future. Their agreements and representations made to the Company can be summarized as follows:

- (1) They shall not engage in business or activities having conflicts of interest that may compete against the Company's and its subsidiaries' business, including: (1) private mother stations (PMS); (2) alternative energy power plants; and (3) NGV Conventional station with Ex-Pipeline model (the "**Company's Business**") or any other businesses identical or similar to the Company's Business and/or subsidiaries' business unless existing business or activities that currently have conflicts of interest.
- (2) In the event that the directors, the major shareholders, or persons relating to the Company receive an opportunity or business offer that may compete against the Company's Business and/or subsidiaries' business, the directors, the major shareholders, or persons relating to the Company agree to first propose the opportunity or business offer to the Company to consider by the Board of Directors' meeting. The majority vote of the members of the Board of Directors attending the meeting and entitled to vote shall exclude votes of those directors who have conflicts of interest. In the event that the Board of Directors resolved to refuse or is not interested in the opportunity or business offer, the directors, the major shareholders, or persons relating to the Company who received the opportunity or business offer shall have the right to obtain the opportunity of business offer.
- (3) The agreement not to engage in business or activities having conflicts of interest that may compete against the Company's Business shall not be withdrawn or revoked, unless the

person who made this representation is no longer the director, executive, and major shareholder of the Company, or become a disqualified person resulting in the elimination of conflicts of interest under the laws concerning securities and exchange or under the rules prescribed by the Securities and Exchange Commission.

## **5.5 Offering of other securities**

- None -



## 6. Policies on dividend payment

### Policies on dividend payment of the Company and the subsidiaries

The Company has the policies on dividend payment of the shareholders at the rate of not less than 40% of the net profits from the particular business budget after deducting with the corporate income tax and all kinds of other reserves as stipulated in the law and Company's regulations. However, such dividend payment possibly changes depending on the necessity and other appropriateness as deemed by the Company's Board of Directors. The annual dividend payment must be approved by the meeting of shareholders.

Except for the interval dividend payment, the Company's Board of Directors possibly approves for the interval dividend payment from time to time when the Company is considered to have sufficient profits for doing so. Such interval dividend payment will be reported to the next meeting of shareholders.

<b>Financial Statements – Company Only (Baht Million)</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Dividends	16.00 <sup>1/</sup>	352.00 <sup>2/</sup>	235.97 <sup>3/</sup>	-
Net Profits <sup>4/</sup>	110.78	119.91	122.83	73.77
Dividend Payout Ratio (%)	14.44	293.56	192.10	-

Remarks: <sup>1/</sup> Dividends paid to shareholders during the year 2014.

<sup>2/</sup> Dividends paid to shareholders during the year 2015.

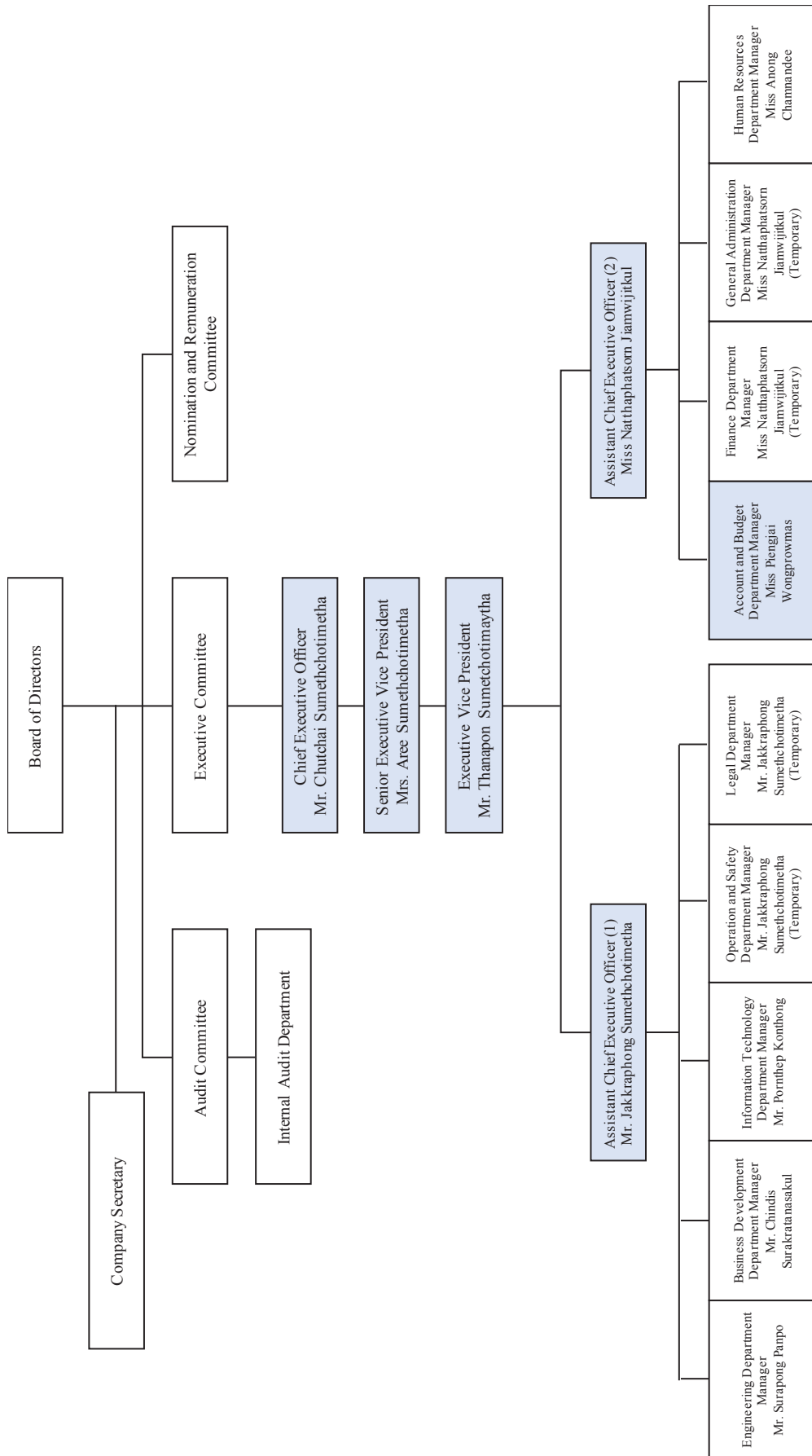
<sup>3/</sup> Dividends paid from retained earnings as of 31 December 2016.

<sup>4/</sup> Net profits from the financial statements of the Company (company only).

## 7.Organization

As of 31 December 2017,

Sakol Energy Public Company Limited's organization chart is as follows:



Remark: \* In 2017, the Company engages a third party, Deloitte Touche Tohmatsu Jaiyos Advisory Co. Ltd., to act as the Company's internal audit.





## 7.1 Organization Chart

The Company's organization chart consists of the Board of Directors, and three sub-committees comprising of the Audit Committee, the Executive Committee, the Nomination and Remuneration Committee. The details of which are shown below.

### 7.1.1 Board of Directors

As of 31 December 2017, the Company's Board of Directors consists of 11 directors as follows:

Name-Surname	Position
1. Mr. Direk Lavansiri	Chairman of the Board of Directors/Independent Director
2. Mr. Chutchai Sumethchotimetha	Director
3. Mrs. Aree Sumethchotimetha	Director
4. Mr. Thanapon Sumethchotimetha	Director
5. Miss Natthaphatsorn Jiamwijitkul	Director
6. Mr. Jakkraphong Sumethchotimetha	Director
7. Mrs. Tanipa Puangjumba	Director
8. Pol.Gen. Worapong Chewprecha	Chairman of the Audit Committee/Independent Director
9. Mr. Witoon Simachokedee	Member of the Audit Committee/Independent Director
10. Mrs. Rawittha Pongnuchit	Member of the Audit Committee/Independent Director
11. Mr. Attawoot Papangkorn	Member of the Audit Committee/Independent Director

Mr. Thitawan Teankasiri was appointed as the Company's Secretary on 21 June 2017 pursuant to the resolution of the Company's Board of Directors' Meeting No. 4/2017 and resigned from the position since 8 December 2017. The Company assigned Miss Pattaraporn Kiewrungpet to replace as the Company's Secretary.

Additional details of the Company's Board of Directors are shown in Annex 1.

#### **The Company's authorized signatories**

- (1) Mr. Chutchai Sumethchotimetha or Mr. Thanapon Sumethchotimetha and one of the four directors: Mrs. Aree Sumethchotimetha, Mrs. Tanipa Puangjumba, Miss Natthaphatsorn Jiamwijitkul, or Mr. Jakkraphong Sumethchotimetha, totaling two directors, jointly sign and affix a Company's seal; or
- (2) Mr. Chutchai Sumethchotimetha and Mr. Thanapon Sumethchotimetha jointly sign and affix a Company's seal.

#### **The Board of Directors' Meeting**

The details of the Board of Directors' meetings are as follows:

List of directors	Number of attendance/Total number of meetings	
	2016	2017
1. Mr. Chutchai Sumethchotimetha	5/6	6/7
2. Mrs. Aree Sumethchotimetha	6/6	6/7
3. Mr. Thanapon Sumetchotimaytha	6/6	6/7
4. Miss Natthaphatsorn Jiamwijitkul	6/6	7/7

5. Mr. Jakkraphong Sumethchotimetha	6/6	7/7
6. Mrs. Tanipa Puangjumba	5/6	7/7
7. Pol.Gen. Worapong Chewprecha	5/6	7/7
8. Mr. Surachai Danaitangtrakul <sup>1</sup>	4/6	-/7
9. Mr. Witoon Simachokedee	5/6	4/7
10. Mrs. Rawittha Pongnuchit	5/6	7/7
11. Mr. Attawoot Papangkorn <sup>2</sup>	2/6	7/7
12. Mr. Direk Lavansiri <sup>3</sup>	-	5/7

- Remark**
1. Mr. Surachai Danaitangtrakul resigned and was no longer the Company's director since 23 March 2017.
  2. Mr. Attawoot Papangkorn was appointed as the Company's director pursuant to the Extraordinary Shareholders' Meeting No. 1/2016 held on 1 September 2017.
  3. Prof. Emeritus Dr. Direk Lavansiri was appointed as the Company's director in replacement of the resigned director pursuant to the Board of Directors' Meeting No. 2/2017 held on 5 April 2017.

### 7.1.2 Audit Committee

As of 31 December 2017, the Company's Audit Committee consist of four members as follows:

List of Audit Committee Members	Position
1. Pol.Gen. Worapong Chewprecha	Chairman of the Audit Committee
2. Mr. Witoon Simachokedee	Member of the Audit Committee
3. Mrs. Rawittha Pongnuchit	Member of the Audit Committee
4. Mr. Attawoot Papangkorn	Member of the Audit Committee

Miss Pimol Chonchanachai was appointed as the Secretary of the Audit Committee on 5 April 2017 pursuant to the resolution of the Audit Committee's Meeting No. 2/2017.

Mr. Mr. Attawoot Papangkorn, Member of the Audit Committee and Independent Director, possesses accounting and finance knowledge and experience to review the accuracy of the Company's financial statements. Mr. Attawoot Papangkorn graduated with a bachelor degree in business administration with a major in accounting and a master degree in accounting.

#### Audit Committee's Meeting

The details of the members who attended meetings are as follows:

List of Audit Committee Members	Number of attendance/Total number of meetings	
	2016	2017
1. Pol.Gen. Worapong Chewprecha	5/5	4/4
2. Mr. Surachai Danaitangtrakul <sup>1</sup>	4/5	-/4
3. Mr. Witoon Simachokedee	5/5	3/4
4. Mrs. Rawittha Pongnuchit	5/5	4/4
5. Mr. Attawoot Papangkorn <sup>2</sup>	2/5	4/4

- Remarks:**
1. Mr. Surachai Danaitangtrakul resigned and was no longer the member of the Audit Committee since 23 March 2017.
  2. Mr. Attawoot Papangkorn as appointed as the member of the Audit Committee pursuant to the Extraordinary Shareholders' Meeting No. 1/2016 held on 1 September 2016.



### 7.1.3 Executive Committee

As of 31 December 2017, the Company's Executive Committee consists of five members as follows:

List of members of the Executive Committee	Position
1. Mr. Chutchai Sumethchotimetha	Chairman of the Executive Committee
2. Mrs. Aree Sumethchotimetha	Member of the Executive Committee
3. Mr. Thanapon Sumetchotimaytha	Member of the Executive Committee
4. Miss Natthaphatsorn Jiamwjitkul	Member of the Executive Committee
5. Mr. Jakkraphong Sumethchotimetha	Member of the Executive Committee

Mr. Thitawan Teankasiri was appointed as the Executive Committee's Secretary on 9 June 2017 pursuant to the resolution of the Executive Committee's Meeting No. 5/2017 and resigned from the position since 8 December 2017. The Company assigned Miss Pattaraporn Kiewrungpet to replace as the Executive Committee's Secretary.

### 7.1.4 Nomination and Remuneration Committee

As of 31 December 2017, the Company's Nomination and Remuneration Committee consists of two members as follows:

List of members of the Nomination and Remuneration Committee	Position
1. Mrs. Rawittha Pongnuchit	Chairman of the Nomination and Remuneration Committee
2. Miss Natthaphatsorn Jiamwjitkul	Member of the Nomination and Remuneration Committee

**Remark** 1. Miss Pitcharm Jiamwjitkul resigned from the member of the Nomination and Remuneration Committee since 22 July 2017. Currently, the Company is in the process of filling in a vacant position.

Mr. Thitawan Teankasiri was appointed as the Nomination and Remuneration Committee's Secretary on 21 June 2017 pursuant to the resolution of the Nomination and Remuneration Committee's Meeting No. 3/2017 and resigned from the position since 8 December 2017.

### 7.2 Executive (pursuant to the definition of executive\* under the Notification of the Securities and Exchange Commission No. KorJor. 17/2551 Re: Determination of Definitions in Notifications concerning Issuance and Offering for Sales of Securities (as amended))

As of 31 December 2017, the Company's executive consists of six members as follows:

List of executives	Position
1. Mr. Chutchai Sumethchotimetha	Chief Executive Officer
2. Mrs. Aree Sumethchotimetha	Senior Executive Vice President
3. Mr. Thanapon Sumetchotimaytha	Executive Vice President
4. Mr. Jakkraphong Sumethchotimetha	Assistant Chief Executive Officer
5. Miss Natthaphatsorn Jiamwjitkul	Assistant Chief Executive Officer
6. Miss Peangjai Wongprawmas	Accounting and Budget Department Manager

**Remark:** \* Executive means a manager or the next four executives succeeding the manager and every person holding an equivalent position to the fourth executive, including persons

holding the position of departmental manager or equivalent or higher in accounting or finance. The details of the Company's executives are shown in Annex 1.

### 7.2.1 Chief Executive Officer

#### Scope of authority, duties and responsibilities of the Chief Executive Office

- (1) To supervise, administrate, operate, and perform usual business activities for the Company's benefits according to the policies, visions, goals, business plans, and budgets as specified by the meeting of the Company's Board of Directors and/or as instructed by the Executive Committee;
- (2) To manage the Company's business in accordance with the main missions prescribed by the Executive Committee in order to be consistent with the Company's business plans, budgets, relevant business strategies as specified by the Company's Board of Directors and/or the Executive Committee;
- (3) To supervise the overall work in relation to finance, marketing, human resource, and other types of work to comply with the Company's policies and business plans as specified by the Company's Board of Directors and/or the Executive Committee;
- (4) To have the power to engage, appoint, relocate, remove, and terminate the Company's employees who are in the position lower than the Chief Executive Officer;
- (5) To have the power to determine the amount of wages, compensation, rewards, bonuses and adjustments of salaries for employees who are in the position lower than the Chief Executive Officer under the scope and policies prescribed by the Executive Committee and/or prescribed in the authority limits;
- (6) To negotiate, enter into an agreement, order a payment, and make any transaction related to the Company's usual business in accordance with each financial amount prescribed by the Executive Committee and/or prescribed in the authority limits;
- (7) To approve and appoint consultants from various sectors that are necessary for the Company's business within the financial amount prescribed in the authority limits;
- (8) To approve entering into a loan and credit facility agreement from a financial institution, lending, pledge, mortgage, or being a guarantor by the Company and its subsidiaries, and the Company's investments within the financial amount prescribed in the authority limits;
- (9) To approve expenses for public relations, seminars, recreation activities, and meetings within the financial amount prescribed in the authority limits;
- (10) To formulate orders, rules, announcements, and records within the Company so that the Company's operation is in accordance with the policies and for its benefits, and to maintain discipline within the organization;
- (11) To perform any other actions instructed by the Board of Directors and/or the Executive Committee, and to have powers to perform any necessary action to do so; and
- (12) To authorize a person or persons to perform any action on behalf of the Chief Executive Officer.

An authorization of duties and responsibilities by the Chief Executive Officer shall in no way enable the Chief Executive Officer or the person who is authorized by the Chief Executive Officer to approve the transaction that involves the Chief Executive Officer himself or the person who may have a conflict of interests (as defined by the Notifications of the Securities and Exchange Commission or the Capital Markets Supervisory Board) or obtain benefits in any means or have any other conflicts of interest against the Company and its subsidiaries, except that the transaction is approved pursuant to the policies and rules approved by the Board of Directors.

The scope of duties and responsibilities of the Chief Executive Officer is set out in the table of authority limits in Section 10.6 Operation Power.



### 7.3 Company's Secretary

The resolution of the Board of Directors' Meeting No. 2/2016 held on 9 March 2016 resolved to appoint Mr. Jakkraphong Sumethchotimetha to act as the Company's Secretary having the duties and responsibilities as stipulated in the Securities and Exchange Act. The qualifications of the Company's Secretary are shown in Annex 1.

#### Scope of authority, duties and responsibilities of the Company's Secretary

- (1) To prepare and maintain records of director register, meeting notices to convene the Board of Directors' meetings, the Company's annual reports, meeting notices for shareholders' meetings, minutes of shareholders' meetings on behalf of the Company and/or the Board of Directors;
- (2) To maintain records of reports of conflicts of interest reported by a director(s) or executive(s) on behalf of the Company and/or the Board of Directors;
- (3) To perform any other actions to be prescribed by the Notifications of the Capital Markets Supervisory Board, and to deliver copies of the reports of conflicts of interest pursuant to section 89/14 prepared by a director(s) to the Chairman of the Board of Directors and the Chairman of the Audit Committee for their review within seven business days from the date that the Company receives the reports of conflicts of interest, on behalf of the Company and/or the Board of Directors;
- (4) To provide preliminary advice on laws and the Company's regulations as the Board of Directors requires to know and requires for continuous compliance purposes, and report any significant changes to the regulations and/or laws to the Board of Directors;
- (5) To hold shareholders' and the Board of Directors' meetings in accordance with the law and the Company's articles of association, and other relevant code of conduct;
- (6) To record minutes of shareholders' and the Board of Directors' meetings, and to keep track of the implementation under the resolution(s) made by the shareholders and the Board of Directors' meeting;
- (7) To manage to disclose information and report information for which the Secretary is responsible to relevant authorities in accordance with their rules and regulations; and
- (8) To supervise the Board of Directors' activities and to perform any other actions in accordance with the law and/or as prescribed by the Capital Markets Supervisory Board and/or instructed by the Board of Directors

### 7.4 Remuneration for directors and executives

#### 7.4.1 Remuneration for directors

##### (a) Monetary remuneration

The Annual General Meeting of Shareholders of 2016 held on 4 April 2016 and the Annual General Meeting of Shareholders of 2017 held on 6 March 2017 approved the remunerations for directors and sub-committees in the forms of monthly remunerations and meeting allowances as follows:

- Board of Directors

Position	Monthly remuneration	Meeting allowance
Chairman of the Board of Directors	Baht 20,000	Baht 25,000
Director	Baht 10,000	Baht 15,000

**Remarks:**

- <sup>1</sup> The Annual General Meeting of Shareholders of 2016 held on 4 April 2016 and the Annual General Meeting of Shareholders of 2017 held on 6 March 2017 approved the remunerations for directors and sub-committees (excluding the Audit Committee) in the forms of monthly remunerations and meeting allowances up to Baht 2,200,000 per annum.
- <sup>2</sup> The Company's Board of Directors' Meeting No. 3/2016 resolved to acknowledge that there were five directors who waived to receive the monthly remuneration namely, Mr. Chutchai Sumethchotimetha, Mrs. Aree Sumethchotimetha, Mr. Thanapon



Sumetchotimaytha, Miss Natthaphatsorn Jiamwjitkul, and Mr. Jakkraphong Sumetchotimetha, effective from April 2016 onwards.

- Audit Committee

Position	Monthly remuneration	Meeting allowance
Chairman of the Audit Committee	-	Baht 20,000
Member of the Audit Committee	-	Baht 12,000

- Executive Committee

The Company's Board of Directors' Meeting No. 3/2016 resolved to acknowledge: the determination of the Executive Committee's remuneration; the waiver to receive remuneration, both monthly remuneration and meeting allowances, by members of the Executive Committee; and their continuation of work performance with best efforts for the Company's highest benefits, effective from April 2016.

- Nomination and Remuneration Committee

Position	Monthly remuneration	Meeting allowance
Chairman of the Nomination and Remuneration Committee	-	Baht 12,000
Member of the Nomination and Remuneration Committee <sup>1</sup>	-	Baht 10,000

Remark: <sup>1</sup> The meeting allowances in the amount of Baht 12,000 for the Nomination and Remuneration Committee are only for the member who is acting as an executive. The members of the Nomination and Remuneration Committee who are not acting as an executive is not entitled to the remuneration.





List of directors	Remuneration for directors (as of 31 December 2016)						
	Board of Directors		Audit Committee		Nomination and Remuneration Committee		Total
	Meeting allowance	Monthly remuneration	Meeting allowance	Monthly remuneration	Meeting allowance	Monthly remuneration	
1. Mr. Chutchai Sumethchotimetha	125,000	60,000	-	-	-	-	185,000
2. Mrs. Aree Sumethchotimetha	90,000	30,000	-	-	-	-	120,000
3. Mr. Thanapon Sumethchotimetha	90,000	30,000	-	-	-	-	120,000
4. Miss Natthaphatsorn Jiamwijitkul	90,000	30,000	-	-	20,000	-	140,000
5. Mr. Jakraphong Sumethchotimetha	90,000	30,000	-	-	-	-	120,000
6. Mrs. Tanipa Puangjampa	75,000	120,000	-	-	-	-	195,000
7. Pol.Gen. Worapong Chewprecha	75,000	120,000	100,000	-	-	-	295,000
8. Mr. Surachai Danaitangtrakul	60,000	120,000	48,000	-	-	-	228,000
9. Mr. Witoon Simachokedee	75,000	120,000	60,000	-	-	-	255,000
10. Mrs. Rawitha Pongnuchit	75,000	120,000	60,000	-	24,000	-	279,000
11. Mr. Attawoot Papangkorn	30,000	40,000	24,000	-	-	-	94,000
<b>Total</b>	<b>875,000</b>	<b>820,000</b>	<b>292,000</b>	-	<b>44,000</b>	-	<b>2,031,000</b>

(b) Non-monetary remuneration

- None -

List of directors	Remuneration for directors (as of 31 December 2017)						
	Board of Directors		Audit Committee		Nomination and Remuneration Committee		Total
	Meeting allowance	Monthly remuneration	Meeting allowance	Monthly remuneration	Meeting allowance	Monthly remuneration	
1. Mr. Direk Lavansiri <sup>1</sup>	100,000	180,000	-	-	-	-	280,000
2. Mr. Chutchai Sumethchotimetha	95,000	-	-	-	-	-	95,000
3. Mrs. Aree Sumethchotimetha	75,000	-	-	-	-	-	75,000
4. Mr. Thanapon Sumethchotimetha	75,000	-	-	-	-	-	75,000
5. Miss Natthaphatsorn Jiamwijitkul	90,000	-	-	-	40,000	-	130,000
6. Mr. Jakkrabong Sumethchotimetha	90,000	-	-	-	-	-	90,000
7. Mrs. Tanipa Puangjumba	90,000	120,000	-	-	-	-	210,000
8. Pol.Gen. Worapong Chewprecha	90,000	120,000	120,000	-	-	-	330,000
9. Mr. Surachai Danaitangtrakul	-	30,000	-	-	-	-	30,000
10. Mr. Witoon Simachokedee	60,000	120,000	48,000	-	-	-	228,000
11. Mrs. Rawitha Pongnuchit	105,000	120,000	72,000	-	48,000	-	345,000
12. Mr. Attawoot Papangkorn	105,000	120,000	72,000	-	-	-	297,000
Total	975,000	810,000	312,000	-	88,000	-	2,185,000

Remark: <sup>1</sup> Prof. Emeritus Dr. Direk Lavansiri became the Chairman of the Board of Directors and the member of the Independent Committee on 5 April 2017.

(b) Non-monetary remuneration

- None -





## 7.4.2 Remuneration for the executives of the Company and its subsidiaries

### (a) Monetary remuneration

In 2016 and the first six months of 2017, the Company paid remunerations to executives in the total amount of Baht 11,173,232 and Baht 6,546,010, respectively. The remunerations were paid in the forms of salaries, bonuses, and others such as provident funds, as summarized below.

Remuneration for executives	2016		2017	
	Number of executives	Amount (Baht)	Number of executives	Amount (Baht)
Salary and bonus	5	10,996,800	5	6,303,047
Others	-	176,432	-	242,963
Total		11,173,232		6,546,010

Remark <sup>1/</sup> The remunerations for executives above were paid to the executive as defined by the SEC Office which is different from the significant executive according to the notes stated in the financial statement ending 31 December 2016 and the notes stated in the interim financial statement for a three-month period ending 31 March 2017.

The Company's executives as per the above table are: Mr. Chutchai Sumethchotimetha, Mrs. Aree Sumethchotimetha, Mr. Thanapon Sumethchotimetha, Mr. Jakkraphong Sumethchotimetha, and Miss Natthaphatsorn Jiamwijitkul.

### (b) Non-monetary remuneration

- None -



## 7.5 Employees

### 7.5.1 Number of employees

As of 31 December 2017, the Company and its subsidiaries have the total number of 79 employees in the following departments.

Department	As of 31 December 2014	As of 31 December 2015	As of 31 December 2016	As of 31 December 2017
	Number of employees	Number of employees	Number of employees	Number of employees
Executive	6	6	6	6
Executive Office - Employees	0	0	3	2
Engineering Department	21	29	28	29
Human Resources Department	11	10	15	15
General administration Department	6	6	7	7
Operation Department	3	3	3	3
Accounting and Budget Department	1	3	4	6
Business Development Department	1	2	3	3
Information Technology Department	0	1	1	1
Finance department	1	0	1	2
Legal department	0	0	2	2
Internal Audit Department	0	0	0	2
Investor Relations Department	0	0	0	1
Total	50	60	73	79

**Remark** (1) Information of the Company and its subsidiaries includes Sakol Energy Public Company Limited, SK 15 Company Limited, Sakol Energy Biomass Power 15 Company Limited, and Sakol Biomass Power Company Limited (ceased its business and liquidated in 2016).





### 7.5.2 Remuneration for employees of the Company and its subsidiaries

In 2016, the Company paid remunerations to 68 employees (excluding executives) approximately in the total amount of Baht 18,935,853. And for the first six months in 2017, the Company paid remunerations to 68 employees (excluding executives) approximately in the total amount of Baht 12,188,653. The remunerations were paid in the forms of salary, bonus, and other types of remuneration as follows:

Remuneration for employees	2016	2017
Salary and bonus	15,857,944	21,777,455
Over-time payment	869,260	1,100,368
Allowance and diligence allowance	849,365	624,393
Others	1,359,284	1,983,384
<b>Total</b>	<b>18,935,853</b>	<b>25,485,600</b>

The Company and its subsidiaries set up their provident funds on 25 August 2016. Those funds have been registered with the SEC office and effective since 1 October 2016.

### 7.5.3 Employee Development Policy

The Company aims to develop its employees to have a professional level of quality and to provide them opportunities to fully and continuously show their potentials at all levels in order to support them to grow their careers together with the Company's success and performance. The Company's practices are as follows:

1. To provide trainings internally and outside the organization by considering the appropriateness of each of the employee's position;
2. To promote the employees who participate in the trainings to share their knowledge and experience obtained from the trainings to other employees so that there will be a transfer of knowledge and experience within the organization in the form of knowledge management.

### 7.5.4 Labor dispute

During the past three years, the Company did not have any employment dispute that the Company is a party to or against that may have significant effects to the Company's business.

### 7.6 Operation power

The Company has prepared an operation manual to set out scope of powers and duties as criteria to perform work for managers, executives, members of a relevant committee within the organization. The meeting of the Board of Directors No. 3/2017 held on 12 May 2017 resolved to approve the Company's operation manual of which significant transactions can be summarized as follows:



Item	Subject	Approver					
		BO D	EX- COM	CEO	SVP, VP	ASS- CEO	M
1. Budget							
1.1	Annual budget, income, cost, and expenses	A1	A2	A2	A2	A2	G1
1.2	Annual investment budget in fixed assets	A1	A2	A2	A2	A2	G1
2. Investment in business and projects <sup>1</sup>							
2.1	Not exceeding Baht 10 million of financial/investment amount			A1	A2	A2	G1
2.2	Not exceeding Baht 180 million of financial/investment amount		A1	A2	A2	A2	G1
2.3	Exceeding Baht 10 million of financial/investment amount	A1	A2	A2	A2	A2	G1
3. Entering into a loan or credit facility agreement with a financial institution, lending, pledge, mortgage, being a guarantor by the Company or its subsidiaries							
3.1	Not exceeding Baht 10,000,000 of financial amount			A1	A2	G1	G1
3.2	Baht 10,000,000 – 200,000,000 of financial amount		A1	A2	G1	G1	G1
3.3	Exceeding Baht 200,000,000	A1	A2	G1	G1	G1	G1
4. Joint investment <sup>1</sup>							
4.1	Joint investment (whether involving in the management or not)	A1	A2	A2	A2	A2	G1
4.2	Investment in shares/sales of shares in other companies	A1	A2	A2	A2	A2	G1
4.3	Set up a new business/dissolve a business	A1	A2	A2	A2	A2	G1

**Remarks** <sup>1/</sup> The table of approval authority is in accordance with the provisions under the Public Limited Company Act and the Securities and Exchange Act

<sup>2/</sup> The abbreviation of each approver means the followings:

BOD means Company's Board of Directors  
EX-COM means Executive Committee  
CEO means Chief Executive Office  
SVP means Senior Executive Vice President  
VP means Vice President  
ASS-CEO means Assistant Chief Executive Officer  
M means Manager of a department

<sup>3/</sup> The meaning of each abbreviation in the approver's section is shown below.

A1 (Approve) means the final approver (main) – who has the duty to consider and approve the proposed transaction or request following the hierarchy approval process. The final approver is the main approver and must be conducted pursuant to the Company's requirements.

A2 (Approve) means hierarchy approval – the person having the duty to consider approves a transaction or request in accordance with the hierarchy approval process. If the transaction or request is not approved, it will be either rejected to withdraw or to propose for revisions.

G1 (Guarantee) means signature of acknowledgement by the executive who has the duty to verify the accuracy and appropriateness of the transaction or request prior to signing to certify and proposing the transaction



or request to the executive who has the duty to consider in the next level according to the hierarchy approval process.

II (Issued) means having no power to perform, being unable to consider and approve the transaction or request.





## 8. Policies on good corporate governance

### 8.1 Policies on good corporate governance

The Board of Directors of Sakol Energy Public Company Limited must conform to the law, objectives, regulations, and resolutions of the shareholders' meetings of the Company as well as adhering to and conforming to the principles of good corporate governance following the guidelines as stipulated by the Stock Exchange of Thailand. This is the guideline for the Company's operation to ensure the efficiency of the operations and also to ensure the transparency to the investors which will ensure the confidence in the Company's business operations to third parties. The good corporate governance of the Company covers the principles in 5 categories as follows:

#### 1st category: the Rights of Shareholders

The Company recognizes and prioritizes various shareholders' rights as the securities investor and the Company's owners such as the rights to purchase, sell, transfer the securities held by them, the rights to receive the shares of profits from the Company, the rights to receive sufficient information, the rights of shareholders meetings, the rights to comment, the rights to make major corporate decisions, such as the allotment of dividends, the appointment or removal of directors, the appointment of auditors, the approval of significant transactions, and the direction of the Company's business operation including the amendments to the Memorandum of Association and the Company's regulations, etc.

The Company has the missions in promoting and facilitating the exercise of such shareholder's rights as follows:

(1) The Company will send the invitation letter to the meeting along with the information in each agenda to the shareholders in advance and will publish in the local newspaper at least 7 days prior to the meeting date or any other period as required by applicable laws or regulations.

(2) In the case that the shareholders cannot attend the meeting on their own, the Company gives the opportunity for the shareholders to appoint the independent directors or any other persons to attend the meeting on behalf.

(3) In the meeting of shareholders, the Company will use the place convenient to travel including selecting the appropriate date and time. The time for the meeting will be allocated sufficiently to meet the Company's policy in facilitating the Company's shareholders.

(4) At the shareholders' meeting, the Company will give all shareholders equal opportunity to express their opinions, suggestions, or ask questions on relevant issues independently before voting on any agenda. Moreover, there will be the directors and executives of related companies attending the shareholders' meeting to answer the questions in the meeting.

(5) After the shareholders' meeting has been completed, the Company will prepare the minutes accurately and completely in the important contents for the shareholders to check.



## 2nd category: the Equitable Treatment of Shareholders

The Company is committed to treat all shareholders equally, whether they are major shareholders or minor shareholders, non-executive shareholders or executive shareholders, Thai or foreign shareholders. The details are as follows:

(1) In convening each shareholder meeting, the Company gives equal opportunity to all shareholders. Before the commencement of the meeting, the chairman of the meeting will explain how to vote and how to count the votes of the shareholders who need to vote on each agenda and also give the opportunity for all shareholders and proxies attending the meeting to express their opinions, suggestions, and questions in each agenda by taking the right and sufficient time. The chairman of the meeting will proceed with the meeting according to the defined agenda.

(2) In the agenda of election, the Board of Directors will encourage the selection of individual nominees.

(3) The Company has required the directors to report any interest in any agenda at least prior to the consideration of the relevant agenda in the Board of Directors' meeting and recorded such interest in the minutes of the Board of Directors' meeting as well as prohibiting the directors who have significant interests in freely expressing their opinions on the agenda from participating in such agenda.

(4) The Company has set the guidelines for keeping and preventing the use of internal information of the Company. It is forbidden by any person or entity who knows the information to disclose it to unrelated entities or persons. In case any person disclosing such information or using such information whether for their own benefit or others or doing the transactions that may cause conflict of interest, it will be considered as serious offense and will be under the punishment on disciplinary act.

## 3rd category Consideration on the Role of Interested Persons

The Company gives the importance to the rights of all stakeholders whether the internal stakeholders who are shareholders and employees of the Company or external stakeholders such as trading partners, customers, etc. The company is well aware that the support and comments from all stakeholder groups are beneficial for the Company's operation and business development. The Company will comply with relevant laws and regulations so that the rights of such stakeholders will be well taken care of. Moreover, in the Company's business operation, the Company takes into account the rights of all stakeholders in the following ways:

Shareholder	: The Company will operate the business with transparency and efficiency with the commitment to generate good operating results and stable growth for the maximum benefits of shareholders in the long-term as well as disclosing the
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information in a transparent and reliable manner to the shareholders.

**Employees** : The Company will treat all employees equally, fairly with reasonable returns.

In addition, the Company also pays attention to the frequent development on skills, knowledge, capabilities, and potential of the employees such as arranging the trainings and seminars by giving the chance to every employee thoroughly and trying to motivate the employees with much knowledge and competence to stay with the Company for further development of the organization. The anti-corruption approaches are also stipulated including raising the awareness of all employees to conform to relevant laws and regulations, such as strictly prohibiting the use of internal information, etc.

**Trading partner** : The Company has the processes for selecting trading partners by providing

partners with equal information and selecting the partners fairly under the criteria for evaluation and selection of partners of the Company. In addition, the Company also makes the appropriate and fair contract model appropriately and fairly to every contract parties to have the tracking system to ensure that the terms of the contract are fully complied with. The fraud and misbehavior are prevented in every steps of the procurement process. The Company buys the products from trading partners based on trading conditions as well as strictly following the contract to trading partners.

**Customer** : The Company is responsible for the customers by maintaining the quality and standards of the goods and services including responding to customer needs as completely and comprehensively as possible in order to focus on long-term customer satisfaction. In addition, the company also provides accurate

information about the products and services of the Company as well as providing the channels for the clients to report problems or inappropriate services for the Company to prevent and quickly solve the problems of the products and services.

**Creditors** : The Company will comply with the terms and conditions of the contracts with the creditors mainly including the repayment of principal, interests, supervision on the collaterals under relevant contracts.

**Competitors** : The Company behaves in a good competitive environment, is ethical and within the framework of law including promoting and encouraging the policies



of free and fair competition.

Society and public : The Company cares and pays attention to the safety on the society, environment, and quality of life of people involved in the business operation of the Company as well as encouraging the employees to have the sense of responsibility on the society and environment including the strict conformity to relevant laws and regulations. In addition, the Company tries to engage in the activities that create and maintain the environmental and social wellbeing as well as promoting local culture in the location where the Company is operating the business.

In addition, the stakeholders can ask for details, notify the complaints, or clues to legal offense, inaccuracy of financial report, defective internal control system, or the unethical business of the Company through independent directors or Audit Committee of the Company. The data of complaints and clues notified to the Company will be kept confidential. The independent director or the Audit Committee will command on auditing the information and find solutions (if any) and will continue to report to the Board of Directors.

#### 4th category: Disclosure and Transparency

(1) The Company pays attention to the Company's financial statements and the financial information appearing in the annual report. The Audit Committee will review the quality of financial reports and internal control system including adequately disclosing the important information in the notes to the financial statements and report to the Board of Directors. Moreover, the Committee also supports the Management Discussion and Analysis preparation supplementary for the quarterly disclosure of financial statements.

(2) The Company will disclose the information about each director, roles and duties of the Board of Directors and the Company's subcommittees, number of meetings, and attendance in the previous year at the Company's Head Office.

(3) The Company will disclose the auditors' fees and other service fees provided by the auditor.

(4) The Company will prepare the report on corporate governance policy, business ethics, risk management policy, and social responsibility policy and the environment having been approved in summary as well as the results of conformity to such policies including the case of failure to comply with such policy together with reasons.

#### 5th category: responsibilities of the Board of Directors

## 1. Structure of directors and subcommittees

The Board of Directors consists of persons with knowledge, skills and experiences that can benefit the Company. They will play an important role in policy and corporate overview making as well as playing an important role in supervising, monitoring and evaluating the Company's performance in accordance with the plan.

Currently, the Board of Directors consists of 11 directors; 5 executive directors and 6 non-executive directors. There are 5 independent directors, representing more than one third of the total number of directors resulting in the proper balance in the consideration and vote in each issue. The Board of Directors has a term of office of not more than 3 years in accordance with relevant laws. An independent director shall hold a term of office of not more than 9 years, unless the board of directors deems that the person should be appointed as the Company's independent director further for the maximum benefits of the Company. Moreover, the directors and the executives of the Company can be directors or executives of affiliated companies or other companies. However, it must comply with relevant laws or regulations and must report to the Company's Board of Directors meeting.

The Board of Directors also nominated the subcommittees to assist in the corporate governance of the Company as follows:

(1) Audit Committee consists of at least 3 members to assist the Board of Directors in overseeing and monitoring the administration, internal control, and compliance with relevant laws, including the preparation of financial reports to make the operation and the Company's information disclosure transparent and reliable.

(2) Executive Committee consists of at least 3 members to assist the Board of Directors in managing the Company's business in accordance with the Company's policies, plans, regulations and rules, including those set within the framework assigned by the Board of Directors.

(3) Nomination and Remuneration Committee consists of at least 3 members of the Nomination and Remuneration Committee who are responsible for recruiting qualified persons for the positions of Director and Chief Executive Officer, considering the form and criteria for the remuneration payment to directors and the Chief Executive Officer to submit to the Board of Directors for approval and / or proposed to the shareholders' meeting for further approval (as the case may be) including the Chief Executive Officer development.

In addition, the Company has appointed the Company's secretary to perform duties related to the Board of Directors' meetings and the shareholders' meeting as well as supporting the work of the Board of Directors by providing advice on the legal and regulatory requirements related to the performance of duties of the Board of Directors including coordinating for the compliance with resolutions of the Company's Board of Directors.

## 2. Roles and responsibilities of the Board of Directors

The Company's Board of Directors is responsible to the shareholders regarding the business operations and has the duty to set policies and directions for the Company's operations to ensure that the management is in line with the objectives and guidelines for the long-term benefits of shareholders within the framework of the requirements,



laws and code of business conduct while taking into account the interests of all stakeholders. The details are as defined in the Charter of the Board of Directors.

(1) Corporate Governance Policy

The Company has established the corporate governance policy in writing to propose to the Board of Directors' meeting for approval. The Corporate Governance Manual is prepared with the intention to guide the directors, executives and employees to conform to such policy. The Company will review this policy annually.

(2) Code of Business Conduct

The Company intends to operate the business in a transparent, ethical, responsible manner to all stakeholders, society, and environment. The Company has set the code of conduct for the Board of Directors, executives and employees to strictly adhere to as follows:

(A) Code of Ethics on Responsibility to Shareholders

(B) Code of Ethics on Customer Relations

(C) Code of Ethics on Relations with Partners, Competitors and Creditors

(D) Code of Ethics for Responsibility to Employees

(E) Code of Ethics for Social and Environmental Responsibility



The Company will announce and notify all employees to acknowledge and strictly conform to.

(3) Conflict of interest

The Company has the policy to eliminate conflicts of interest carefully with honesty, rationality and independence under the good ethical framework mainly for the Company's benefits. The persons involving or relevant to the items considered are required to disclose the information about their interests and related persons to the Company and do not participate in the consideration including having no authorization in approving such items.

The Company has the policy to make the connected transaction and transactions with conflict of interest in accordance with relevant laws or regulations.

(4) Internal control

The Company has set up the internal control system for the supervision and internal control both at the management and operational levels efficiently. The Company has also set up the internal audit department to assess the adequacy of the internal control system and report the results to the Audit Committee in accordance with the audit plan.

(5) Risk management;

The Company has set up the risk management policy that covers the whole organization including systematic oversight or risk management process to minimize impact on the Company's business properly.

(6) Report of the Board of Directors

The Audit Committee is responsible for reviewing the financial reports with the accountant and the auditor attending the meeting together and presenting the financial report to the Board of Directors quarterly. The Board of Directors will be responsible for the consolidated financial statements of the Company and the subsidiaries including financial information.

3. Board of Directors' meetings and self-assessment

The Company arranges meetings of the Board of Directors at least quarterly and extra meetings are added as needed. The agenda is clearly defined in advance with the agenda to follow up the results of the operation regularly. The Company will send the invitation letter together with the agenda and supplementary documents to all directors at least 7 days in advance prior to the meeting in order for the directors to have sufficient time to study the information before attending the meeting except in urgent cases. The minutes of the meeting will be recorded and the collection of certified documents will be provided for reference and verification. In every meeting, the executives and related persons should attend the meeting in order to provide accurate and timely information and details to the decision-making.

In the resolution of the Board of Directors' meeting, the majority vote shall be passed. One director has one vote. Directors who have conflict of interest in any agenda will not attend the meeting and will not have the right to vote in this agenda. In case of equal votes, the Chairman of the meeting shall give an additional vote as the votes shall be countersigned by the chairman of the meeting.

Moreover, the Board of Directors supports the performance evaluation at least once a year to improve and correct the operations. The topic of the meeting will be clearly defined before the evaluation is made to gather the comments and present them to the meeting.

4. Remunerations

Directors' remunerations are monthly remunerations and meeting allowances which must be on average compared to the same industry. It will consider the adequacy of the duties and responsibilities of the Board of Directors. The executives receive monthly salary and bonus mainly based on the performance of the Company. However, the annual remunerations of the Board of Directors and the executives together must not be in the unusually high amount compared to the average returns of the directors and the executives of the Company listed on the Stock Exchange of Thailand by considering the maximum benefits of the shareholders.

The Company has established the Nomination and Remuneration Committee to consider the form and the criteria for the remuneration payment to the directors to propose to the shareholders' meeting for approval.

5. Development of the Board of Directors and the executives





The Board of Directors has the policies to promote and facilitate in having the training and coaching to the persons relevant to the Company's corporate governance such as Company's Board of Directors, Audit Committee, executives, and secretary, etc. in order to continually improve the operation. The training and coaching may be done internally or use the service provided by other institutes.

In the case that there is the change in the directors or new directors are nominated, the management department will prepare the documents and information as beneficial for the duty performance of the new directors as well as providing the advices on business natures and approaches in business operation of the Company to the new directors.

The Company's Board of Directors will rotate the assigned works following the proficiency of the executives and the employees by mainly considering the appropriateness of work and time. The CEO will determine the period and consider such work performance as the plan for the development and preservation of the Company's works for developing the executives and the employees to have more competence in working and can work in replacement to one another.

## 8.2 Organization Structure

The organization structure of Sakol Energy Public Company Limited consists of 4 sub-committees, including the Board of Directors, the Audit Committee, the Executive Committee, and the Nomination and Remuneration Committee, the details of which are as follows:

### 8.2.1 Board of Directors

#### Powers, Duties and Responsibilities

The powers, duties and responsibilities of the Board of Directors shall be as provided by law, the Company's Articles of Association, the Company's objectives and the shareholders meeting resolutions which include the following operations:

- (1) Performance with responsibility, caution, faithfulness, protection of Company benefits and to conduct the Company's business according to the law, Company objectives, Articles of Association, and resolutions of the shareholders meeting.
- (2) Establishment of vision, strategy, policy, goal, business plan, budgeting, management structure and approval authority of the Company and subsidiary companies as proposed by the management and oversee the administration and operating results of the management, sub-committees of the Company or any person who has been assigned to perform such tasks in accordance with the specified policy in an effective and efficient manner to maximize value for the Company and its shareholders.
- (3) Follow-up and assessment of operating results of the management and/or sub-committees of the Company on a continuous and regular basis to achieve the strategy and meet the plan and the budget.

- (4) Ensuring that the Company and subsidiary companies have an appropriate and effective accounting system, and arrange for the availability of reliable financial reporting and accounting audit including the establishment of appropriate and adequate internal control system and internal audit systems.
- (5) Setting the scope and policy on salary, salary adjustment, remuneration bonus and financial reward of the executives, including supervision of mechanics and appropriate payment of remuneration to the executives.
- (6) Consideration of approval for the interim dividend payment.
- (7) Consideration and identification of risks faced by the Company or which will occur and directly affect the Company, and determination of risk appetite for the Company.
- (8) Determination and review of internal and external risk management policy to ensure its coverage and that it aligns with the strategy and direction of the business. The risk coverage will include at least the following four risks:
  - (a) Financial Risk.
  - (b) Operational Risk.
  - (c) Strategic Risk.
  - (d) Compliance Risk.
- (9) Determination and review of the procedures on risk management to align with risk management policy in order to be able to assess, follow-up the result, and oversee the risks as within the Company's risk appetite.
- (10) Review the set-up of budget and method of response to the risks that have occurred and may occur with the Company for use as rules in operation under various types of risk situations including setting up the structure and appointment of a risk management working committee to perform the role of risk assessment and risk management follow-up.
- (11) Review the policy on corporate governance and social responsibility including anti-corruption of the Company, and approval of the assessment of the annual result of the corporate governance and social responsibility and anti-corruption prepared by the assigned sub-committee.
- (12) Prevention of dispute on benefits between interest parties of the Company and subsidiary companies. In the event that any company director has an interest in a transaction made with the Company, or whose shareholding in the Company and/or subsidiary companies has increased or decreased, the company director shall report such interest and change in shareholding to the Company without delay.



- (13) Appointment of a sub-committee to help and support the performance of the Board of Directors as appropriate.
- (14) Appointment of a Company Secretary and/or Secretary of the Board of Directors to assist the Board of Directors in performing various jobs in order to ensure that the operation of the Company is in accordance with the relevant laws and regulations.
- (15) Hiring of an adviser or person who is independent to provide opinions and recommendations as appropriate.
- (16) Preparation of the Annual Report and responsibility for preparation and disclosure of financial information regarding the financial status and operational results of the Company during the past one year for proposal to the Shareholders Meeting.
- (17) Holding an Annual Meeting of Shareholders within four months since the end of the Company's accounting year.
- (18) Approval of various matters by impartially considering the benefits of shareholders and every stakeholder in the Company.
- (19) Arrangement of a succession plan for high level executives of the Company.
- (20) Review and revision of the Board of Directors Charter to align with the situation.
- (21) Assignment of one company director or several company directors to perform any assignment on behalf of the Board of Directors.

However, the assignment of powers, duties and responsibilities of the Board of Directors does not have a nature of granting of authority or sub-granting of authority allowing the Board of Directors or person who is granted the authority by the Board of Directors to be able to approve transactions in which he/she or other persons may have a conflict (as defined in the relevant regulations), an interest or benefit in any nature or may have other benefit disputes with the Company and/or subsidiary companies, except for the approval of transactions which are in accordance with the policies and rules already approved by the Shareholders Meeting or Board of Directors.

The roles and responsibilities of the Board of Directors of the Company under the authorization matrix are as set out in Section 2: Management and Corporate Governance – 7. Organization Structure Item 7.6 Authorization.

#### 8.2.2 Audit Committee

##### Powers, Duties and Responsibilities

- (1) Review of the Company's financial reporting system and information disclosure in the financial statements with correctness and adequacy.
- (2) Review of the internal control system and internal audit system of the Company to ensure appropriateness and efficiency, and consideration of the independence of the internal audit unit including approval of appointments, transfers, employment termination of the Head of Internal Audit or other units responsible for internal audit.
- (3) Review of the Company's compliance with relevant laws which are applicable to the Company and/or Company business.
- (4) Consideration of the selection and making of proposals regarding the appointment and remuneration of independent persons for the duty of the Company's external auditor, including holding meetings with the external auditor at least once a year without management presence.
- (5) Consideration of connected transactions that may have a conflict of interest in accordance with the laws which are applicable to the Company and/or Company business to ensure that such transactions are reasonable and of maximum benefit to the Company.
- (6) Preparation of the Audit Committee's report which shall be signed by the Chairman of the Audit committee and contain at least the following:
  - (a) Opinions on the correctness, completeness, and reliability of the Company's financial report.
  - (b) Opinions on the adequacy of the Company's internal control system.
  - (c) Opinions on the Company's compliance with laws which are applicable to the Company and/or Company's business.
  - (d) Opinions on the suitability of the external auditor.
  - (e) Opinions on transactions that may have a conflict of interest.
  - (f) Overall opinions or observations of the Audit Committee obtained from the performance of their duties under the charter.
  - (g) Other matters that should be of interest to the shareholders and investors within the scope of duty and responsibility assigned by the Board of Directors.
- (7) Audit and investigation of concerned persons under the scope of authority of the Audit Committee and authority to hire or engage specialized expertise to support audit and investigation.
- (8) Hiring of advisers or independent parties to provide opinions or recommendations as deemed necessary.



- (9) In the case of discovery of doubtful transactions or following acts which have a significant impact on the Company's financial position and operating results, the Audit Committee shall report these to the Board of Directors for improvement and correction in a timely manner as deemed appropriate by the Audit Committee:
  - (a) A transaction which creates a conflict of interest.
  - (b) Fraudulent or irregularity or deficiency which has a significant impact on the internal control system.
  - (c) Contravention of relevant laws which are applicable to the Company and/or Company business.
- (10) Opinions of the management on the appointment, employment termination, operating results, budgeting and manpower of the internal audit unit.
- (11) Review and opinion of the result of the assessment of annual corporate governance, social responsibility and anti-corruption prepared by the assigned sub-committee.
- (12) Assessment of the processes related to corporate governance, social responsibility and anti-corruption of the Company.
- (13) Review the Charter of the Audit Committee and consideration of making revisions as deemed necessary and appropriate.
- (14) Carrying out any act as assigned by the Board of Directors with the approval of the Audit Committee.

### 8.2.3 Executive Committee

#### Powers, Duties and Responsibilities

- (1) Preparation and setting up of the policy, direction, business plan, budgeting, management structure and management authority by proposal to the Board of Directors for approval, and implementation of proposals as approved by the Board of Directors including verification and follow-up of such operating results that are being performed in an effective and efficient manner.
- (2) Management and overseeing of related operations and general administration of the Company.
- (3) Approval of any contract making and/or transactions related to the normal course of business of the Company (such as purchase, sales, investment or joint investment with other persons) for the benefit of the operation in accordance with the objective of the Company within authority limits or limits defined by the Board of Directors.
- (4) Approval of financial transactions with financial institutions for borrowing or seeking credit facilities, mortgages, loan guarantees and being a guarantor of the Company and subsidiary companies, within authority limits or limits defined by the Board of Directors.
- (5) Approval of the appointment of an advisor in various areas which are essential for the Company's operation within the annual budget approved by the Board of Directors.



(6) Setting up the scope and policy on salary, adjustment of salary, determination of bonus remuneration and financial rewards of the employees and executives (except the Chief Executive Officer).

(7) Carrying out any other tasks assigned by the Board of Directors or which is in accordance with the policy defined by the Board of Directors.

(8) Review and proposal on revision of the Executive Committee Charter to align with the situation.

(9) Granting the power to any person or several persons to carry out acts on behalf of the Executive Committee.

However, the assignment of powers, duties and responsibilities of the Executive Committee does not have the nature of granting of authority or sub-granting of authority allowing the Executive Committee or person who is granted the authority by the Executive Committee to be able to approve transactions in which he/she or other persons may have a conflict (as defined in the notifications of Securities and Exchange Commission or Capital Market Supervisory Board), an interest or benefit in any nature or may have other benefit disputes with the Company and/or subsidiary companies except for approval of transactions which are in accordance with the policy and rules already approved by a Meeting of the Board of Directors.

The roles and responsibilities of the Executive Committee under the authorization matrix are as set out in Section 2: Management and Corporate Governance – 7. Organization Structure Item 7.6 Authorization.

#### 8.2.4 Nomination Committee

##### Powers, Duties and Responsibilities

(1) Establishment of qualifications and guidelines in nominating Company Directors (including members of subcommittees of the Company) and high level executives by making a selective consideration of the person who has suitable qualification in terms of knowledge, experience and expertise for proposal to the Board of Directors for consideration and appointment and/or for proposal to the Shareholders' Meeting for further consideration and approval (as the case may be).

(2) Review the independence of each nominated director to assure that the director of the company is fully qualified.

(3) Review the format and process of developing the Chief Executive Officer to align with the company's business and situation.

(4) Review the form and rule on payment of remuneration (whether in the form of cash, security, or any other) of the directors of the company, sub-committees of the company and Chief Executive Officer to ensure that it is appropriate, fair and in accordance with the relevant law.

(5) Review the performance criteria of the Chief Executive Officer and make a proposal to the Board of Directors for consideration and approval.



(6) Review and propose the scope of power, duty and responsibility of the Nomination Committee to align with the situation.

(7) Carrying out any act as assigned by the Board of Directors or in accordance with the policy established by the Board of Directors.

### 8.3 Nomination and appointment of directors and high-level executives

The Nomination and Remuneration Committee will consider and nominate persons as directors (including members of sub-committees of the Company) and high-level executives of the Company. The committee selects appropriate persons with knowledge, experience and expertise and nominates to the Board of Directors and/or shareholders' meeting for appointment.

#### 8.3.1 Board of Directors

##### Composition

The composition of the Board of Directors is as follows:

- (1) Members of the Board of Directors do not need to be shareholders of the Company.
- (2) The number of directors on the Board of Directors is in accordance with the specification of the Shareholders Meeting but the Board of Directors shall be composed of at least three directors, not less than half of whom shall reside within the Kingdom of Thailand.
- (3) The Board of Directors shall be composed of independent directors as at least one out of three of the total number of directors but the number shall not be less than three directors.

The Board of Directors shall elect one of the directors to serve as the Chairman of the Board of Directors. If the Board of Directors deem it appropriate, they may also elect among themselves one of several directors to serve as Vice Chairmen of the Board of Directors.

##### Appointment and Office Term

(1) The Board of Directors will perform the role of selection and nomination of a person who has appropriate qualifications to hold the office of company director by proposing the name of the person to the Shareholders Meeting for approval of the appointment.

(2) The Shareholders Meeting will choose a company director in the event that the position of company director has become vacant due to reasons other than expiry of the office term. The Board of Directors shall appoint a person who has competent qualifications to be a substitute company director. However, the substitute company director shall retain office only for the remaining office term of the company director whom he/she replaces.

(3) At every annual general meeting of shareholders, one third of the total number of directors shall retire from office. If the number of directors is not a multiple of three, then, the number of directors nearest to one

third shall retire from office. The directors who shall retire from office in the first and second years after registration of the Company shall be selected by drawing lots. In subsequent years, directors who have held office the longest shall retire.

A director who vacates the position on expiry of the office term may be re-elected to hold the position for another office term. However, the total period of an independent director's term of office shall not exceed nine years unless the Board of Directors is of the opinion that the person should continue to hold the position of independent director of the Company for the maximum benefit of the Company.

#### **Qualification of Board of Directors**

- (1) Being a person who has knowledge, ability, integrity, business ethics, and adequate time to perform duties for the Company.
- (2) Having the qualifications and possessing no prohibited characteristics under relevant laws, including possessing no characteristics which indicate inappropriateness for trust in the administration of a business with the public being shareholders, as stipulated in the notifications of the Office of Securities and Exchange Commission, Securities and Exchange Commission, Capital Market Supervisory Board and Stock Exchange of Thailand ("relevant regulations").
- (3) Not being a person who undertakes a business of the same nature and in significant competition with that of the Company or is a significant partner of a partnership or a director of another company undertaking a business of the same nature and in significant competition with those of the Company, whether such undertaking has been carried out for his/her own or others' benefits or not, unless that there is a notice given to the Shareholders Meeting before passing a resolution for appointment.
- (4) An independent director shall have qualifications related to independence as defined by the Company and is in accordance with the guidelines and rules related to the specification of an independent director, and shall be able to supervise the benefits of every shareholder on an equal basis and prevent the dispute of benefits. In addition, the independent director shall attend the meetings of the Board of Directors giving an independent opinion.

In addition, the Company has determined that a director who is not performing the role of an executive director to be independent of the management and the shareholders who have a controlling interest and who does not have any business relationship with the Company that may influence the expression of independent view. An independent director shall have the following additional qualifications:

- (a) Holding not more than one per cent of the total voting shares of the Company, subsidiary companies, associated companies, major shareholders, or controlling persons, with the number of shares held by the director's related persons being counted.



(b) Being a director who is not or has never been an executive director, employee, staff member, salaried advisor, or controlling person of the Company, subsidiary companies, associated companies, same-level subsidiaries, major shareholders or controlling person unless such characteristics have lapsed for at least two years before being appointed. These prohibited characteristics include the case whereby the independent director used to be a civil servant or advisor of the government who is a major shareholder or a person who controls the Company.

(c) Being a director who has no relationship by blood or by legal registration under the status of father, mother, spouse, sibling, and child, including the child's spouse or other directors, executives, major shareholders, controlling persons, or persons who are being nominated for appointment as directors, executives, or controlling persons of the Company or subsidiary companies.

(d) Being a director who does not have or has never had a business relationship with the Company, subsidiaries, associated companies, juristic persons with potential of conflict of interest, major shareholders, or controlling persons in a manner that may hinder the exercise of his/her independent judgment, and not being a person who is or has been a significant shareholder or controlling person of a person with a business relationship with the Company, its subsidiaries, associated companies, juristic persons with potential of conflict of interest, major shareholders, or controlling persons, unless such characteristics have lapsed for at least two years before being appointed.

The business relationship as mentioned includes normal trading transactions for the purpose of business operations, rental or lease of immovable property, transactions related to assets or services or granting or receiving financial assistance by receiving or giving loans, guarantees using assets as debt collateral, including other similar acts that result in the Company or the party thereof being liable to pay the other at the amount of three per cent or more of Baht 20 million or more, whichever is smaller. The calculation of such liabilities shall be in accordance with the method of connected transaction calculation specified in the criteria on undertaking connected transactions, mutatis mutandis, with the liabilities occurring during the one-year period prior to the date of business relationship with the same person being included.

(e) Being a director who is not, or has never been, an external auditor of the Company, subsidiary companies, associated companies, major shareholders, or controlling persons, and not a significant shareholder, controlling person, or partner of an audit firm which is an external auditor of the Company, its subsidiaries, associated companies, major shareholder, or controlling person, except in case such characteristics have lapsed for at least two years before being appointed.

(f) Being a director who is not, or has never been, a provider of any a professional service including legal advisory service or financial advisory service with the service fee thereof exceeding two million Baht per year from the Company, subsidiary companies, associated companies, major shareholders, or controlling persons,

and not a significant shareholder, controlling person, or partner of the provider of such professional service, except in case such characteristics have lapsed for at least two years before being appointed.

(g) Being a director who is not appointed as a representative of a director, major shareholder or shareholder with a relationship to a major shareholder of the Company.

(h) Not undertaking a business of the same nature and in significant competition with those of the Company or subsidiary companies, nor being a significant partner of a partnership or an executive director, employee, staff member, salaried advisor, or shareholder with over 1% of the total voting shares of another company undertaking a business of the same nature and in significant competition with those of the Company or subsidiary companies.

(i) Not having any other characteristics that may hinder the exercise of his/her independent judgment regarding the Company's business operations.

### 8.3.2 Audit Committee

#### Composition

The Audit Committee is composed of at least three independent directors. At least one of the audit directors shall be a person with knowledge and experience in accounting and finance to perform the duty of reviewing the reliability of the financial statement.

The Audit Committee shall select one Audit Director to hold the position of Chairman of the Audit Committee and appoint a Secretary to assist in performing its duty by making appointments for meetings, preparing meeting agendas, submission of meeting related documents and recording the minutes of the meetings.

#### Appointment and Office Term

The Board of Directors or Shareholders Meeting shall appoint an independent director of the Company to be an Audit Director whose office term shall be in accordance with the office term of the Company Directors whereby the Audit Director whose office term has expired can be re-appointed as Audit Director.

In the event that the Audit Director's office has expired or the Audit Director is not able to hold the position until expiry resulting in the number of Audit Directors to be less than three, the Board of Directors or Shareholders Meeting should appoint a new Audit Director to fill the vacancy not later than three months from the date when the number of Audit Directors was incomplete to ensure the continuity of the Audit Committee in performing its duty.

#### Qualification of Audit Director

(1) A person who has a competent qualification to perform the role of independent director in accordance with the rules and conditions as specified by the Office of Securities and Exchange Commission, Securities and Exchange Commission, Capital Market Supervisory Board and Stock Exchange of Thailand Notifications.





- (2) Not being a person who has been assigned by the Board of Directors to make decisions regarding the running of the business of the company, parent companies, subsidiary companies, associated companies, same level subsidiary companies, major shareholders or a person who has control of the company.
- (3) Not being a director of the parent company, subsidiary companies or same level companies of the public listed company.
- (4) Having adequate knowledge and experience in performing the duty as an Audit Director and at least one Audit Director shall have adequate knowledge and experience in accounting and finance to be able to review the reliability of the financial statement.

### 8.3.3 Nomination of directors and high-level executives

#### Nomination of directors

For the nomination of directors, the Nomination and Remuneration Committee, consisting of 1 independent director from the 3 members of the committee, shall be responsible for screening and selection of qualified persons according to the Company's Articles of Association. The Nomination and Remuneration Committee shall nominate persons with suitable qualifications as the Company's directors. The directors should be professional and with diversity. The committee shall nominate suitable person to the Board of Directors of the Company for their approval. The nominated person shall be proposed to shareholders' meeting for further consideration and appointment as the Company's director according to the prescribed rules.

The Nomination and Remuneration Committee shall consider the appropriate size and composition of the Board of Directors of the Company. The Board of Directors shall be changed or adjusted in line with the ever-changing environment. The directors shall have suitable knowledge, capabilities and qualities. The Nomination and Remuneration Committee has given the opportunity to directors and shareholders to nominate suitable person as the Company's director.

The appointment of directors by the shareholders' meeting shall follow rules and procedures as set out below.

- (1) In voting for election of director, every shareholder shall have one vote for each share of which he is the holder.
- (2) Each shareholder may exercise all votes he has to elect one or several persons as directors but the number of directors elected shall not exceed the number of directors required at that time.
- (3) In the event of selecting several directors, each shareholder may exercise all his votes to each nominated person. He may not allot his votes to each nominated person unequally.
- (4) The persons receiving the highest votes in their respective order of the votes shall be elected as directors until all of director positions that the Company may have or that are to be elected at such meeting are filled. Where the votes cast for candidates in descending order are tied,

which would otherwise cause the number of directors to be exceeded, the Chairman of the meeting shall have a casting vote.

If the director position becomes vacant for any reason other than retirement by rotation, the Nomination and Remuneration Committee shall select qualified person without prohibited characteristics as prescribed under the laws as replacement director attending the next Board of Directors' Meeting, except where the term of the resigning director is less than 2 months. The replacement director may hold the position of director only for the period equivalent to the remaining term of the resigning director.

#### **Selection of high-level executives**

For the nomination of Chief Executive Officer / Chairman of the Executive Committee / Managing Director of the Company, the Nomination and Remuneration Committee shall preliminary screen and find person with suitable knowledge, experience and expertise, which is suitable the Company's business operations. Such person shall have thorough knowledge of the Company's business and be able to manage the work to achieve the Company's targets and objectives. The person nominated by the Nomination and Remuneration Committee shall be further proposed to the Board of Directors of the Company for appointment.

#### **8.4 Investment and administration policy in subsidiaries and associates**

Sakol Energy Public Company Limited has investment and administration policy in subsidiaries and associates by investing in the transaction which is related, resemble, or earns the benefits and supports the transaction of the company in order to reinforcing the stability and the performance of the company.

Moreover, in governing the administration of the subsidiaries and associates, the company will appoint the company's qualified and experienced representative as a committee in the relevant invested transaction of that subsidiaries and associates. That representative could be a chair committee, chief executive officer, committee, chief executive, or anyone who doesn't gain any conflict of interest with the transaction of those subsidiaries and associates. This is to enable the company in governing the transaction and the transaction of the subsidiaries and associates like one unit of the company. Therefore, it's determined that the representative must navigate the administration of the subsidiaries and associates in following the relevant law of the concerning transaction of the subsidiaries and/or associates. In addition, the appointing of the representative as the committee in those subsidiaries and associates must be correspondent with the equity ratio of the company and/or the agreement in case of the associates.

The company will closely follow up the performance of the subsidiaries and associates, as well as regulate and audit data and accounting records of the subsidiaries and associates.



## 8.5 Use of Inside Information Policy

Sakol Energy Public Company Limited gives importance to protection of the use of inside information, whereby the Company has a policy prohibiting the directors, executives, staff and employees of the Company from using information which may affect the price of Company shares, if such a disclosure causes damage to the Company or puts the Company in a disadvantage. This includes using confidential and inside information which is not yet disclosed to the public for his/her own or others gain both directly or indirectly with and without remuneration. The Company has established protection measures on the use of inside information by educating directors and executives on the duty to report their shareholdings, including those shares held by their spouse and their minor children, to the Office of Securities and Exchange Commission pursuant to procedures prescribed in Section 59 and penalty provision of Section 275 of the Thai Securities and Exchange Act B.E.2535 (1992) (including the amendments), including the duty to report on acquisition and disposal of shares held by directors and executives and their spouse and minor children to the Office of Securities and Exchange Commission pursuant to Section 246 and penalty provision of Section 298 of the Thai Securities and Exchange Act B.E.2535 (1992) (including the amendments). The mandatory report is a preparation for the Company, including directors and executives of the Company, to be ready for initial public offering and registration of ordinary shares on the Stock Exchange of Thailand.



## 9. Corporate Social Responsibilities

### 9.1 Overview of corporate social responsibility policy

Sakol Energy Public Company Limited realizes the importance of sustainable business growth under corporate social responsibilities which morally focus on the interested persons, economic, and environment. The company expects that the company's corporate social responsibilities will bring about common interests, along with the growth of business.

### 9.2 Implementation and preparation of report

As the Company realizes the importance of corporate social responsibilities, the Board of Directors' Meeting of the Company held on 19 October 2016 approved the following corporate social responsibility policies:

#### **1. Fair business operation**

The company determines for honest, fair, ethical operation, and trade competition following commercial ethical principal, law, and equal commercial competition, as well as any acts which are against fair competition; such as the search of competitor's confidential data, the demand or the receiving or the reject of any dishonest commercial benefits in purchasing machines etc. Moreover, the company pays respect to the rights of intelligence properties of the others. The company determines that the staff follows the law or the regulations of intelligence properties rights; such as the use of legal computer program etc. The company has project in supporting and creating awareness of staff of all levels to be responsible to the society.

#### **2. Anti-corruption**

The company's operation is based on the transparency and ethics. We insist on the governance and the implementation on the relevant anti-corruption and prevention law. The details are included in the company's anti-corruption and bribery policy.

#### **3. The respect on human rights.**

The company supports and respects human's right protection by treating all relevant; staff, community, and surrounded societies with respect in the values of humanity, taking equality and freedom into account, respecting basic rights, and not discriminating on race, nationality, religions, languages, skin colors, genders, age, education, physical or social status. The company has ensured not to take part in any human rights violations; such as child's labors and sexual harassment etc. In addition, the company has supported the watch to ensure the compliance on human right's requirements by accepting opinions and providing channels for complaints, from the victims, caused from the company's operation and to provide appropriate compensations.

To ensure the effectiveness, the company has organized knowledge management about human rights and created awareness among the company's staff in following human right's principles.

#### **4. Fair labor treatment**

The company is aware of the importance of human resource development and fair labor treatment, which is the factor in promoting business value, competitiveness and sustainable growth of the company. The company has determined the policy and guidance as the followings;

1. Respect the rights of staff according to human right's principles, and follow labor law.
2. Ensure fair employment procedure and condition, as well as compensation and the consideration of achievement under fair assessment procedure.
3. Encourage professional development by providing or enrolling staff for relevant trainings and seminars in order to develop knowledge and potentials of staff, as well as good attitude, moral, ethics, and teamwork.



4. Provide welfares for staff as regulated by law; such as social security etc. or non-regulated welfare; such as health and accident insurances etc. It also includes the providing of financial support for staff; such as scholarship for the children of staff, and cremation fund aid etc.
5. Organize annual health check for the staff of all levels by considering risk factors by the range of age, sex, and individual work surroundings.
6. Ensure work safety and hygienic workplace by providing preventive measure, training and promoting safety awareness and good health among staff, always ensure hygiene and safe workplace.
7. Provide chances for staff to share their opinions or file complaints on bias and wrong treatments in the company, as well as the protection for the informers who report the complaints.

#### **5. Customer responsibilities**

The company aims to develop products and services of the company and the associates for the utmost customer's satisfaction and benefits, as well as adhering to treat customers with responsibility, honest, and attention like they are family members.

1. The company considers the quality and the effectiveness in providing service. Apart from the quality service management system, the company is also attentive to the management of occupational health and safety to ensure the most quality and effective service provided to customers.
2. The company is attached to the fair marketing by providing the measure to ensure that the customers receive correct, unbiased, clear, or non-exaggerated company's information so they have true and enough information for decision-making.
3. The company takes customer's safety into account and aims to provide quality and safe service according to international safety standard and regulations, and law. There's also the constant service development and improvement to make sure that the customers will be confident in the quality, standard, and the safety of the company's service.
4. The company has provided customer relation system used in contacting with customers, as well as effectively receiving complaints about service quality via telephone in order to instantly answer to the customer's requirements.
5. The company will keep customer's data confidential and will not use it in the inappropriate purposes.
6. The company has organized activities in order to reinforce sustainable customer's relationship with the company

#### **6. Environmental care**

The company pays attention to social responsibility in nurturing environment. The company has executed and controlled the production and service of the company and the associates to strictly comply with the relevant law about environmental care as the followings;

1. The company has designed and developed the production procedure of machine, and devices to be able to control and/or reducing pollutions; including waste water, dust, gas, and other wastes.
2. The company has assigned a person in charge of the production procedure, machines and devices control. It has to be ensured that the effects to the environment must not be exceed the standard and utmost benefits from the use of natural resources.
3. The company has determined the policy in reducing the production of garbage and wastes and being cooperative in the appropriate waste disposal methods.
4. The company has organized risk assessment and effects related to environment, health, and safety prior to any joint venture or investment. The company has conducts the business under environmental care concept.



5. The company has policy in using natural resources, materials or equipment effectively and efficiently.
6. The company has measure on reserving natural resources; such as 3Rs (Reduce, Reuse/Recycles, Replenish)

### **7. Community or society development**

The company is aware of responsibility on society and community. Therefore, there's the policy in helping and developing society as the followings;

1. The company provides supportive policy and appropriate help to society and community, especially the neighboring community around the company.
2. The company provides opportunity for community and all concerned, takes part in sharing opinions for projects which might affect community, as well as sharing opinions or complaints which are resulted from the company's operations.
3. The company is cooperative in standard operation or international agreements formed to protect or reduce effects toward environment.
4. The company has policy in providing educational support to the youths by providing financial supports for extra learning tools for schools, integrated activities, repair and paint school buildings.
5. The company pays attention to the fast and effective responses toward the circumstances which affect the community, society, and environment caused by the company's operations.
6. The company reinforces the consciousness and responsibilities of the staff toward environment and society.

### **9.3 Supporting of Development of Community and Society and Activity for Benefit of Society and Environment**

The Company has organized the activity for the benefit of society and environment continually, for examples of the activity for community, society and environment, they can be summarized as follows:

- (1) the activity under the subject of "Learning on Natural Gas For Youth" for the year 2012 at Khokkrung Temple, Saraburi.

This activity has been organized by the Company of which the objective was sharing of knowledge on natural gas to students in school for the youth to have knowledge on natural gas through the recreation activity. The Company expected that the youth understood and applied the knowledge for the benefit of the community.





- (2) the activity under the subject of “Learning on Natural Gas For Youth” for the year 2012 at Pa Ngio Temple, Pathumthani.

This activity has been organized by the Company of which the objective was sharing of knowledge on natural gas to students in school for the youth to have knowledge on natural gas through the recreation activity. The Company expected that the youth understood and applied the knowledge for the benefit of the community.



- (3) the activity under the subject of “Society can build Green Energy” has been organized on the National Children Day of which the Company has continually organized this activity since 2014 to 2017.

This activity has been organized by the Company of which the objective was for sharing of knowledge on natural gas to the community and it had the recreation activity which the youth can learn some knowledges while playing such activity.





- (4) the activity under the subject of “Ran-boon” to support the cerebral palsy by donating of money for lunch and by taking such cerebral palsy to travel and sightseeing at Dream World Amusement Park including giving goods and hosting a dinner for the children who join this activity. This activity has been organized by Sakol Energy Biomass 15 Company Limited, a subsidiary of the Company.



- (5) the activity under the subject of “the release of aquatic species under the project to manage and increase safety agricultural products”, the Company has joined this activity to release aquatic species of Tha Ma Prang Sub-district Administrative Office, KengKoi District, Saraburi Province for increasing of abundance of environment within the community at Pongkonsao Reservoir, Saraburi Province on 15 December 2016.



- (6) the activity under the subject of “Donation to Schools in the Community 2013”, the Company has donated rice to the schools within the community near the Company’s location to support those schools on dried foods at Banchiangraknoi School, Chiangraknoi Sub-district, Samkhok District, Pathumthani Province.



- (7) the activity under the subject of “Donation of Water Cooling Machine to Schools in the Community 2013”, the Company has donated the water cooling machine together with water filter to Banchiangraknoi School, Pathumthani Province for replacing of old and broken water cooling machine and for drinking water easily and safely of the students.







- (8) the activity under the subject of “Supporting of Rice for Disadvantaged Youth”, the Company has provided rice and drinking water to the disadvantaged youth for supporting of 120 poor students from 6 schools consisting of Watsattharuengsri School, Watnongsonghong School, Baanburikarom School, Huaikhongkhawarawat School, Wat Khao Lat Wanaram School and Watthamaprang School, Saraburi Province on 22 August 2016.



- (9) the activity under the subject of “Cleaning Campaign”, the Company has organized the cleaning campaign in the community near two natural gas stations of the Company which were Private Mother Natural Gas Station at Pathumthani Province and Private Mother Natural Gas Station at Saraburi Province on 19 May 2017.







- (10) the activity under the subject of “Go Home Safely Campaign”, the Company has donated money to support the activity of the Reducing of Accidents and Delivery of Care under the campaign “Go Home Safely” during Songkran festival 2017 to create awareness on safely drive “Drinks don’t Drive – Don’t Drive Fast” to reduce accidents and damages during 7 days of Songkran festival at Thamaprang Sub-district Administrative Office and Huaihaeng Sub-district Administrative Office, Saraburi Province on 12 April 2017.





- (11) the activity under the subject of “CSR Project on Give Goodness to Community”, the Company has organized the “Give Goodness to Community” project for the charity of King Rama IX to create love and unity and good relationship between all level of employees by painting school at Ban Tha Yae School, Dan Makham Tia District, Kanchanaburi Province and by constructing the check dam according to the royal initiative of His Majesty the King at Nong Ti Village, Kanchanaburi Province.

- Painting activity at Ban Tha Yae School, Dan Makham Tia District, Kanchanaburi Province



- Construction of the check dam activity according to the royal initiative of His Majesty the King at Nong Ti Village, Kanchanaburi Province





- (12) the activity under the subject of “Wheelchair for Disabled Persons”, the Company has organized the “Wheelchair for Disabled Persons” project with the Foundation for Persons with Disabilities to promote and support activities that will be benefit for the disabled persons across the country and to be the non-profit organization no. 551 of the notification of Ministry of Finance. The Company has provided spare parts of wheelchairs and three tricycles to the Foundation for Persons with Disabilities Thailand.





## 10. Internal Control and Risk Management

### 10.1 The Board of Directors' opinions on the Company's internal control system

The Board of Directors of Sakol Energy Public Company Limited recognizes the importance of sufficient and appropriate internal control system. Therefore, the Board of Directors assigned the Company's internal auditor to assess if the Company's internal control system is sufficient and appropriate, and instructed the Audit Committee to: review the Company's internal control evaluation to ensure that the Company's business operation is efficient and effective in terms of exploitation of resources, maintenance of assets, and prevention from and reduction of potential errors; to manage to have accurate and reliable financial reports; and to comply with laws, rules, and regulations relating to the Company's business.

In the Board of Directors' meeting no. 2/2018 held on 23 February 2018, as six members of the Independent Committee attended the meeting, the Board of Directors considered whether the Company's internal control system was sufficient and appropriate, and approved the five elements of a Company's internal control system as proposed by the Audit Committee according to the Securities and Exchange Commission's evaluation: (1) control environment; (2) risk assessment; (3) control activities; (4) information and communication; (5) monitoring activities. The Company's internal control system must meet these five elements to prove that its internal control system is sufficient and appropriate to reduce significant risks associated with business operation. The Board of Directors also approved that there shall be personnel to effectively implement, monitor, control, supervise the internal control system to ensure that the implementation is made in accordance with a good internal audit system standard and with the relevant laws and regulations.

In compliance with the Committee of Sponsoring Organizations of the Treadway Commission (COSO)'s guidance, having considered the evaluation of the Company's internal control systems, the Board of Directors' opinions can be summarized and categorized into five matters as follows:

1. **Control Environment** - The Company set out clear policies, work performance rules, and an organization chart as it gives importance to transparent management, i.e., having good governance.
2. **Risk Assessment** - The Company has formulated a risk management manual as guidance to manage all risks to be at an acceptable level and gives importance to the prevention of fraudulent activities. The Company set out various preventive policies such as anti-corruption and bribery policies and related-party transaction policies;
3. **Control Activities** - The Company has formulated rules and practices on financial, procurement, information and technology, general administration transactions, including the clear scope of powers, duties, and hierarchy approval process so that all employees shall dully comply therewith.
4. **Information & Communication** - The Company gives high importance to its information and communication systems. Currently, the Company is in the process of creating ERP system to supervise all systems and to ensure that all departments have their clear and systematic work performance under the same standard. Employees also continuously communicate through emails, meetings, and Line application. All employees will be aware of the Company's messages.
5. **Monitoring Activities** - The Company set up monitoring measures to monitor work performance under the supervision hierarchy and work performance by Deloitte Touche Tohmatsu Jaiyos Advisory Co. Ltd., and to directly report to the Audit Committee. In 2018, the Company may consider engaging an internal audit to conduct the Company's internal audit work in replacement of engaging Deloitte.

### 10.2 Head of Internal Audit

In the Audit Committee's meeting no. 2/2016 held on 9 November 2016, the Audit Committee appointed Deloitte Touche Tohmatsu Jaiyos Advisory Co. Ltd. to act as the Company's internal audit for year 2017.



The Audit Committee reviewed and considered the qualifications of Deloitte Touche Tohmatsu Jaiyos Advisory Co. Ltd. (by Mr. Weerapong Krisadawat) and found that it is sufficiently qualified to act as the internal audit because its independence and experience in internal audit works. The internal audit's information in detail is shown in Annex 3.



## 11.Related Party Transactions

### 11.1 Summary of related party transactions between the Company and persons who may have conflicts of interest in 2016 and 2017

The Company and its subsidiaries entered into related-party transactions with individuals and juristic entities that may have conflicts of interest as summarized below.

Name of related party	Nature of business	Relationship
1. Tarnsuwan Company Limited	<ul style="list-style-type: none"> <li>Transportation of agricultural products and containers, coal, cement, and NGV</li> </ul>	<ul style="list-style-type: none"> <li>Two directors of Tarnsuwan Company Limited are directors of the Company, namely Mr. Chutchai Sumethchotimetha and Mrs. Aree Sumethchotimetha.</li> <li>Mrs. Aree Sumethchotimetha is a spouse of Mr. Chutchai Sumethchotimetha. Mrs. Aree Sumethchotimetha is a director and executive of the Company, holding the position of Senior Executive Vice President.</li> <li>Mr. Chutchai Sumethchotimetha and Mrs. Aree Sumethchotimetha are major shareholders of Tarnsuwan Company Limited with shareholding of 57.85% and 41.32%, respectively, as of 25 July 2017.</li> </ul>
2. Trans Energy Company Limited	<ul style="list-style-type: none"> <li>Construction of factory and office</li> </ul>	<ul style="list-style-type: none"> <li>One director of Trans Energy Company Limited is a director of the Company, namely Mr. Jakkraphong Sumethchotimetha.</li> <li>Mr. Jakkraphong Sumethchotimetha is a son of Mr. Chutchai Sumethchotimetha and holds the position of Assistant Chief Executive Officer of the Company which is an executive position in the Company.</li> <li>Mr. Chutchai Sumethchotimetha is a major shareholder of Trans Energy Company Limited, holding 80.00% as of 25 July 2017.</li> </ul>



Name of related party	Nature of business	Relationship
3. TPC Holding Company Limited	<ul style="list-style-type: none"> <li>Distribution of biomass and office space leasing service</li> </ul>	<ul style="list-style-type: none"> <li>Two directors of TPC Holding Company Limited are directors of the Company, namely Mrs. Aree Sumethchotimetha and Mr. Jakraphong Sumethchotimetha.</li> <li>Mrs. Aree Sumethchotimetha and Mr. Chutchai Sumethchotimetha are major shareholders of TPC Holding Company Limited with shareholding of 50.00% and 41.67%, respectively, as of 25 July 2017.</li> <li>Mr. Jakraphong Sumethchotimetha is a shareholder of TPC Holding Company Limited with shareholding of 8.33% as of 25 July 2017.</li> <li>holds the positions of director and Chief Executive Officer of the Company.</li> <li>holds 41.78% of shares in the Company as of 30 June 2017.</li> <li>holds the position of director of the Company.</li> </ul>
4. Mr. Chutchai Sumethchotimetha	-	
5. Mrs. Tanipa Puangjampa	-	

## 11.2 Details of transactions among the Company, its subsidiaries, and the person who may have conflicts of interest

Name of related party	Type of transaction	Transaction value (Baht)		Necessity and Appropriateness of Related Party Transaction / Opinion of Audit Committee
		2016	2017	
1. Tarnsuwan Company Limited	<u>Utility fee income</u> Pursuant to the contract made with PTT PCL, the Company operates a private month station for distribution of natural gas. As a service provider, the Company must provide available space for transportation service providers with concession granted by PTT for utilization as office. Therefore, the Company must provide such service and charge them for utility fees for the service. Utility fees charged to Tarnsuwan Company Limited are at the			<u>Opinion of Audit Committee</u> The entry into this transaction is in accordance with terms and conditions of the contract between the Company and PTT and the Company charges the service fees at the same rate as being charged to other companies. This type of fees is also collected by the other private mother stations. Therefore, the Audit Committee is of the view that the

Name of related party	Type of transaction	Transaction value (Baht)		Necessity and Appropriateness of Related Party Transaction / Opinion of Audit Committee
		2016	2017	
2. Trans Energy Company Limited	same rate of utility fees charged to other transportation service providers with concession granted by PTT.			transaction is appropriate and is an arm's length transaction.
	- Utility fee income	192,681.00	166,911.00	
	- Accrued income	31,540.30	37,902.30	
	<u>Office rental income</u> On 16 January 2015, the Company entered into a memorandum of understanding with Trans Energy Company Limited to lease/provide service for office space. The area is 20 square meters located on 2 <sup>nd</sup> Floor, No. 15, Moo 1, Chiang Rak Noi Sub-district, Samkok District, Pathum Thani Province, to be used as the Company's office location. The term of the contract is 1 year, ending 29 February 2016. The rent is Baht 5,000 per month or Baht 250 per square meter.			<u>Opinion of Audit Committee</u> As the Company did not have any plan to use the space, leasing out the space generates income to the Company. The Company charged the rent at the rate which is comparable to the market rate. Upon expiration of the office lease contract on 29 February 2016, the Company did not extend the contract. Therefore, the Audit Committee is of the view that the transaction is appropriate.
	Office rental income	10,000.00	-	



Name of related party	Type of transaction	Transaction value (Baht)		Necessity and Appropriateness of Related Party Transaction / Opinion of Audit Committee
		2016	2017	
3. TPC Holding Company Limited	<p><u>Office lease expenses/other service expenses from office lease</u></p> <p>On 15 December 2015, the Company entered into an office lease agreement with TPC Holding Company Limited for the term of 1 year, commencing from 1 January 2016 – 31 December 2016. The office is located at No. 444, Olympia Thai Tower, Ratchadapisek Road, Samsennok, Huay Kwang, Bangkok with the aggregate area of 103 square meters. The lease fee is Baht 362 per square meter per month and the service fee is Baht 55,929 per month or Baht 543 per square meter. The scope of services includes: 1) general administration and maintenance service; 2) air conditioning services; 3) services relating to building electrical system; and 4) internal car park service.</p> <p>In addition, the Company may use other services with PTC Holding Company free of charge, including telephone and internet, copy machine rental, messenger service, gas cost for messenger service and other consumables.</p> <p>However, other expenses from office lease do not include an expense for lease during non-business hours. Such lease will be charged on a time-charge basis.</p>			<p>The lease of space as the Company's office is necessary for business operation. The office is at a convenient location and within the suitable business district. The aggregate increase in lease and service fees in 2017 is at a lower rate than the aggregate increase in lease and service fees charged by Olympia Thai Tower to TPC Holding Company under the lease and service agreement. The lease fees and other related expenses are comparable to the fees charged by nearby office lease buildings such as Olympia Building, Asia Center Building, Cyber World Tower, Le Concorde Tower, Muang Thai Pattara Building which charge lease fee, service fees and other fees ranging from Baht 921 per square meter per month to 1,099 per square meter per month.</p> <p><u>Opinion of Audit Committee</u></p> <p>The Audit Committee is of the view that this transaction is a usual transaction with appropriate terms and conditions.</p>

Name of related party	Type of transaction	Transaction value (Baht)		Necessity and Appropriateness of Related Party Transaction / Opinion of Audit Committee
		2016	2017	
3. TPC Holding Company Limited (con't)	On 27 December 2016, the Company extended the lease and service agreement for one additional year, commencing from 1 January 2017 – 31 December 2017. The lease area under the renewed agreements is 230 square meters with the increased lease fee of Baht 370 per square meter per month and the service fees of Baht 126,500 per month or equivalent to service fees of Baht 550 per square meter.			





Name of related party	Type of transaction	Transaction value (Baht)		Necessity and Appropriateness of Related Party Transaction / Opinion of Audit Committee
		2016	2017	
4. Mr. Chutchai Sumethchotimetha	- Office lease expense	447,432.00	1,138,500.00	This transaction is only for the use of address as head office of the Company's subsidiary (SK15) and the Company does not have to pay for any compensation. At present, such subsidiary is in the process of studying feasibility in developing projects in the future. However, once the subsidiary (SK15) has a clear direction on developing projects or can procure new area as office location, SK15 will consider relocating to a new and appropriate address.
	- Other service expenses from office lease	671,148.00	765,900.00	
	- Other expenses (for lease during non-business hours)	4,331.75	-	
	<u>Registered Address of Subsidiary's Head Office</u> The head office of the Company's subsidiary, SK15, is located at No. 15, Prasertmanukit Road, Sena Nikhom Sub-district, Chatuchak District, Bangkok. Mr. Chutchai Sumethchotimetha, Chief Executive Officer of the Company, has an ownership in such address. However, Mr. Chutchai has given a consent for the subsidiary to use the address as its head office without any contract and without charging any compensation.			<u>Opinion of Audit Committee</u> Audit Committee is of the view that this transaction will not affect the Company and was reasonably made.
	- Head office expense	No compensation	No compensation	

Name of related party	Type of transaction	Transaction value (Baht)		Necessity and Appropriateness of Related Party Transaction / Opinion of Audit Committee
		2016	2017	
4. Mr. Chutchai Sumethchotimetha (con't)	<p><u>Guarantee for loans from commercial banks</u></p> <p>The Company has loans from commercial banks and financial institutions for using in its business operation in the aggregate amount of approximately Baht 310 million and Baht 495 million in 2016 and as of 30 September 2017, respectively. The Company's directors who provide personal guarantee for the Company's loans are: 1) <u>Mr. Chutchai Sumethchotimetha</u> and 2) <u>Mrs. Tanipa Puangjumba</u> with the total amount of guarantee of Baht 234.99 million and Baht 91.01 million, respectively. For all guarantees provided by Mr. Chutchai Sumethchotimetha, the Company's director, there is no compensation from the Company for such provision of guarantees.</p>			<p>Provision of guarantee is necessary for the Company's business and the condition required by the banks for the Company's director to provide a guarantee for the loans is considered a normal condition required from the banks. The Company does not incur any expenses for the provision of guarantee by Mr. Chutchai Sumethchotimetha.</p> <p>Two commercial banks have stated that they will consider releasing the Company's director from obligations as a guarantor once the Company is listed on the stock exchange and the initial public offering is completed.</p> <p>In addition, a commercial bank who recently approved a credit facility to the Company during Q3/2017 stated that after the Company is listed on the Stock Exchange of Thailand and submits a letter requesting for release of personal guarantee, the bank will consider releasing the Company's director from the obligation.</p> <p>In February 2018, one commercial bank sent the Company the letter dated 6 February 2018 re: release of guarantee obligations of Mr. Chutchai Sumethchotimetha under the guarantee agreement dated 13 August 2016 of</p>
	- Guarantee for long-term facility and letter of guarantee in the amount of Baht 87,390,000	No compensation	No compensation	
	- Guarantee for O/D facility in the amount of Baht 7,200,000	No compensation	No compensation	



	- Guarantee for letter of guarantee in the aggregate amount of Baht 50,400,000	No compensation	No compensation	which the amount of guarantee is Baht 87,390,000.
	- Guarantee for letter of guarantee, O/D facility and P/N facility in the aggregate amount of Baht 90,000,000	-	No compensation	<u>Opinion of Audit Committee</u> Audit Committee is of the view that the guarantee by the Company's director is a usual business transaction. The Company does not bear any cost on this. Therefore, this transaction is appropriate.

Name of related party	Type of transaction	Transaction value (Baht)		Necessity and Appropriateness of Related Party Transaction / Opinion of Audit Committee
		2016	2017	
4. Mr. Chutchai Sumethchotimetha (con't)	<p><u>Guarantee for Vehicles</u></p> <p>Mr. Chutchai Sumethchotimetha, the Company's director, provides personal guarantees for vehicle hire purchase and vehicle rental agreements without compensation for the provision of guarantees until expiration of the agreements. The summary on guarantees for vehicles with related party is as follows:</p> <ul style="list-style-type: none"> <li>On 4 October 2013, the Company entered into a vehicle hire purchase agreement with a commercial bank for the use in its business.</li> <li>On 2 April 2014, the Company entered into a vehicle hire purchase agreement with a leasing company, one of the companies within a car manufacturer for the use as an executive car.</li> <li>On 2 July 2015, the Company entered into a rental agreement with a leasing company within commercial bank group for the use as an executive car.</li> </ul> <p><b><u>Summary on value of guarantees for vehicles is as follows:</u></b></p>			<p>The Company entered into vehicle hire-purchase/rental agreements with leasing company. Such vehicles are trucks for the use in the Company's business and executive cars for the Chief Executive Officer, the Executive Vice President, and the Assistant Chief Executive Officers according to the announcements of the Company Nos. Por.22-01/2558 and Por.22-02/2558 announced on 24 November 2015 re: equipment procurement for executives for use in performing their duties.</p> <p>The leasing company within a commercial bank group notified the Company in writing that it will consider releasing the guarantee obligation of the Company's director if the Company is listed on the stock exchange. And the leasing company within the car manufacturing group has responded with a letter stating that it agrees to release personal guaranty obligation if the Company issue 12 post-dated checks in the amount of Baht 55,000 per check and delivered the checks to the leasing company by November 2016. The Company has subsequently completed such request.</p>
	- Guarantee for the vehicle hire purchase agreement with the leasing company in the amount of Baht 2,640,000	No compensation	-	
	- Guarantee for the vehicle hire purchase agreement with a commercial bank in the amount of Baht 580,800	No compensation	-	



<p>In respect of one vehicle hire purchase agreement with a commercial bank, the Company has made installment payment in order to close the account during June 2017 and ownership of the vehicle has been transferred to the Company in July 2017. Therefore, the guaranty obligation in respect of such hire-purchase agreement has ended.</p>	<p>No compensation</p>	<p>No compensation</p>	<p>- Guarantee for the vehicle rental agreement in the amount of Baht 6,226,107</p>
<p><u>Opinion of Audit Committee</u></p> <p>Audit Committee is of the view that the guarantee for the Company's hire purchase transactions by the Company's director is a usual business transaction. The Company does not bear any cost on this. Therefore, this transaction is appropriate.</p>			



Name of related party	Type of transaction	Transaction value(Baht)		Necessity and Appropriateness of Related Party Transaction / Opinion of Audit Committee
		2016	2017	
5. Mrs. Tanipa Puangjumba	<p><u>Guarantee for loans from commercial banks</u></p> <p>The Company has loans from commercial banks for the use in its business in the aggregate amount of approximately Baht 310 million and Baht 435 million in 2016 and as of 31 December 2017, respectively. During the year 2016, the Company's directors who provide personal guarantee for the Company's loans are: 1) Mr. Chutchai Sumethchotimetha and 2) Mrs. Tanipa Puangjumba with the total amount of guarantee of Baht 234.99 million and Baht 91.01 million, respectively.</p> <p>For all guarantees provided by Mrs. Tanipa Puangjumba, the Company's director, there is no compensation from the Company for such provision of guarantees.</p> <ul style="list-style-type: none"> <li>- Guarantee for the long-term facility and letter of guarantee in the amount of Baht 33,610,000</li> <li>- Guarantee for the O/D facility in the amount of Baht 2,800,000</li> <li>- Guarantee for letter of guarantee in the aggregate amount of Baht 19,600,000</li> </ul>	No compensation	No compensation	<p>Provision of guarantee is necessary for the Company's business and the condition required by the banks for the Company's director to provide a guarantee for the loans is considered a normal condition required from the banks. The Company does not incur any expenses for the provision of guarantee by Mrs. Tanipa Puangjumba. Two commercial banks have stated that they will consider releasing the Company's director from obligations as a guarantor once the Company is listed on the stock exchange and the initial public offering is completed.</p> <p>In addition, a commercial bank who recently approved a credit facility to the Company during Q3/2017 stated that after the Company is listed on the Stock Exchange of Thailand and the Company submits a letter requesting for release of personal guarantee, the bank will consider releasing the Company's director from such personal guarantee obligation.</p> <p>In February 2018, one commercial bank sent the Company the letter dated 6 February 2018 re: release of guarantee obligations of Mr. Chutchai Sumethchotimetha under the guarantee agreement dated 13 August 2016 of which the amount of guarantee is Baht</p>
		No compensation	No compensation	
		No compensation	No compensation	
		No compensation	No compensation	



Name of related party	Type of transaction	Transaction value(Baht)	Necessity and Appropriateness of Related Party Transaction / Opinion of Audit Committee
	<p>- Guarantee for the letter of guarantee, O/D facility and P/N facility in the aggregate amount of Baht 35,000,000</p>	<p>-</p>	<p>33,610,000.</p>
		<p>No compensation</p>	<p><u>Opinion of Audit Committee</u> Audit Committee is of the view that the guarantee for the loans by the Company's director is a usual business transaction. The Company does not bear any cost on this. Therefore, this transaction is appropriate.</p>

## 11.2 Measures and approval process for related party transactions

The Company will comply with the laws concerning securities and exchange, regulations, notifications, orders, and conditions of the Capital Markets Supervisory Board and the Stock Exchange of Thailand. However, the executives or persons who have conflicts of interest shall not be able to attend a meeting to approve a related-party transaction.

In the event that the above laws stipulate that a related-party transaction must be approved by a resolution of the Board of Directors, the Company shall instruct the Audit Committee to attend the meeting to consider and provide opinions on the necessity to enter into a transaction and reasonableness of the transaction. A transaction with general commercial terms and with non-general commercial terms shall be made according to the followings:

### (1) Transactions having general trading conditions

In respect of an entry into a transaction having general trading conditions among the Company and its subsidiaries and executives or a person relating to the Company, the Company shall make a request for approval in principle to the Board of Directors. The Board of Directors may approve that transaction if it is a commercial agreement that are generally done in a similar situation by parties having the same bargaining powers without having influence as a director or executive relating to the Company. The Company shall prepare a summary report on the related transaction to report in the Audit Committee's meeting and the Board of Directors' meeting every quarter.

### (2) Transactions having non-general trading conditions

An entry into a transaction having non-general trading conditions must be considered and reviewed by the Audit Committee prior to the consideration and approval by the Board of Directors and/or a shareholders' meeting in accordance with the laws concerning securities and exchange, regulations, notifications, orders, and conditions of the Capital Markets Supervisory Board and the Stock Exchange of Thailand, and regulations concerning disclosure of information related to related-party transactions.

## 11.3 Policy on future related party transactions

For a related-party transaction that may occur in the future, the Board of Directors shall comply with the laws concerning securities and exchange, regulations, notifications, orders, and conditions of the Capital Markets Supervisory Board and the Stock Exchange of Thailand, and regulations concerning disclosure of information related to related-party transactions of a company or subsidiary under the account standards prescribed by the Federation of Accounting Professions of Thailand.



## Part of 3

### Financial position

### And performance.

125 – 132 Key financial information

133 – 151 Management Discussion and Analysis: MD&A

137 – 210 Financial statements and Independent  
Auditor's Report





## 12. Key financial information

*Investors should consider the Company's audited consolidated financial statements for the year ended 31 December 2015, 31 December 2016 and 31 December 2017 and investors should consider notes to the financial statements under the consolidated financial statements which consist of criteria used in preparing such financial statements, key accounting policies of the group company for information, unless specified otherwise.*

The management's discussion and analysis of results of operations and financial condition contains forward-looking statements which reflect the management's opinion of future events and financial results of the group company. Therefore, the actual performance of the group company may significantly differ from the forecast operating performance due to various factors, including factors as specified under "Risk Factors" and those specified in other parts of this document.

### 12.1 Auditor's Report

#### Summary on auditor's report

- The consolidated financial statements for the year ended 31 December 2015 was audited by Miss Napaporn Sathitthammaporn, Certified Public Accountant Registration Number 7494, KPMG Phoomchai Audit Company Limited. The auditor viewed that the statement of financial position as of 31 December 2015, statement of income and statement of cash flows for the same financial year is correct in all material respects in accordance with financial reporting standards.
- The consolidated financial statements for the year ended 31 December 2016 was audited by Miss Napaporn Sathitthammaporn, Certified Public Accountant Registration Number 7494, KPMG Phoomchai Audit Company Limited. The auditor viewed that the statement of financial position as of 31 December 2016, statement of income and statement of cash flows for the same financial year is correct in all material respects in accordance with financial reporting standards.
- The consolidated financial statements for the year ended 31 December 2017 was audited by Miss Napaporn Sathitthammaporn, Certified Public Accountant Registration Number 7494, KPMG Phoomchai Audit Company Limited. The auditor viewed that the statement of financial position as of 31 December 2017, statement of income and statement of cash flows for the same financial year is correct in all material respects in accordance with financial reporting standards.





## 12.2 Summary on Financial Statements

### Sakol Energy Public Company Limited Statement of Financial Position

(Unit :Baht million)

	31 December 2015		31 December 2016		31 December 2017	
	Amount	%	Amount	%	Amount	%
<b><u>Assets</u></b>						
<b><u>Current assets</u></b>						
Cash and cash equivalents	12.62	1.92	8.57	1.12	21.78	2.09
Current investments	6.53	0.99	96.77	12.70	425.40	40.87
Trade account receivable	72.82	11.07	122.75	16.11	57.27	5.50
Current portion of financial lease receivable	15.11	2.30	20.12	2.64	16.70	1.60
Other current receivables	1.09	0.17	1.18	0.15	1.65	0.16
Current spare parts and supplies	1.65	0.25	0.91	0.12	1.26	0.12
<b>Total current assets</b>	<b>109.82</b>	<b>16.70</b>	<b>250.30</b>	<b>32.84</b>	<b>524.07</b>	<b>50.34</b>
<b><u>Non-current assets</u></b>						
Financial lease receivable	231.90	35.27	221.66	29.08	210.61	20.23
Non-current spare parts and supplies	-	-	1.29	0.17	1.48	0.14
Investment properties	-	-	12.12	1.59	171.62	16.49
Property, plant and equipment	315.38	47.97	273.42	35.87	128.31	12.33
Intangible asset - net	0.42	0.06	3.38	0.44	3.89	0.37
Other non-current assets	-	-	-	-	0.98	0.09
<b>Total non-current assets</b>	<b>547.70</b>	<b>83.30</b>	<b>511.87</b>	<b>67.16</b>	<b>516.89</b>	<b>49.66</b>
<b>Total assets</b>	<b>657.52</b>	<b>100.00</b>	<b>762.18</b>	<b>100.00</b>	<b>1,040.95</b>	<b>100.00</b>

(Unit :Baht million)

	31 December 2015		31 December 2016		31 December 2017	
	Amount	%	Amount	%	Amount	%
<b><u>Liabilities and shareholders' equity</u></b>						
<b><u>Current liabilities</u></b>						
Short-term borrowings from financial institution	-	-	-	-	40.00	3.84
Trade accounts payable	44.04	6.70	31.49	4.13	28.80	2.77
Other current payables	10.76	1.64	14.70	1.93	15.85	1.52
Current portion of long-term borrowings from financial institution	13.56	2.06	14.04	1.84	14.68	1.41
Current portion of finance lease and hire purchase liabilities	1.57	0.24	1.62	0.21	1.08	0.10
<b>Total current liabilities</b>	<b>69.93</b>	<b>10.64</b>	<b>61.85</b>	<b>8.12</b>	<b>100.41</b>	<b>9.65</b>
<b><u>Non-current liabilities</u></b>						
Long-term borrowings from financial institution	70.25	10.68	56.25	7.38	41.57	3.99
Finance lease and hire purchase liabilities	4.21	0.64	2.59	0.34	1.51	0.15
Deferred tax liabilities	9.82	1.49	9.80	1.29	9.85	0.95
Non-current provisions for employee benefit	0.77	0.12	1.11	0.15	0.60	0.06
Provisions for non-current liability	-	-	-	-	1.09	0.10
<b>Total non-current liabilities</b>	<b>85.05</b>	<b>12.93</b>	<b>69.74</b>	<b>9.15</b>	<b>54.62</b>	<b>5.25</b>
<b>Total liabilities</b>	<b>154.98</b>	<b>23.57</b>	<b>131.60</b>	<b>17.27</b>	<b>155.03</b>	<b>14.89</b>
<b><u>Shareholders' equity</u></b>						
Share capital:						
Authorized share capital	346.40	52.68	465.00	61.01	465.00	44.67
Issued and paid share capital	346.40	52.68	346.40	45.45	465.00	44.67
Share premium on ordinary shares	-	-	-	-	297.62	28.59
Retained earnings						
Appropriated – legal reserve	16.00	2.43	22.20	2.91	26.00	2.50
Unappropriated	140.08	21.30	261.52	34.31	96.40	9.26
Other components of shareholders' equity	0.07	0.01	0.46	0.06	0.90	0.09
<b>Total shareholders' equity</b>	<b>502.55</b>	<b>76.43</b>	<b>630.58</b>	<b>82.73</b>	<b>885.92</b>	<b>85.11</b>
<b>Total liabilities and shareholders' equity</b>	<b>657.52</b>	<b>100.00</b>	<b>762.18</b>	<b>100.00</b>	<b>1,040.95</b>	<b>100.00</b>



**Sakol Energy Public Company Limited**  
**Statement of Income**

(Unit :Baht million)

	Financial year ended 31 December					
	2015		2016		2017	
	Amount	%	Amount	%	Amount	%
<b><u>Income</u></b>						
Revenue from rendering of services	340.36	93.72	385.55	93.04	310.15	92.94
Revenue from financial lease	19.94	5.49	22.18	5.35	21.43	6.42
Other income	2.87	0.79	6.65	1.60	2.12	0.64
<b>Total income</b>	<b>363.17</b>	<b>100.00</b>	<b>414.38</b>	<b>100.00</b>	<b>333.70</b>	<b>100.00</b>
<b><u>Expenses</u></b>						
Cost of rendering of services	199.62	54.97	236.63	57.11	190.13	56.98
Administrative expenses	39.27	10.81	47.74	11.52	61.25	18.36
Finance costs	4.41	1.21	4.11	0.99	8.35	2.50
<b>Total expenses</b>	<b>243.30</b>	<b>66.99</b>	<b>288.49</b>	<b>69.62</b>	<b>259.73</b>	<b>77.83</b>
<b>Profit before income tax expense from continuing operations</b>	<b>119.87</b>	<b>33.01</b>	<b>125.89</b>	<b>30.38</b>	<b>73.98</b>	<b>22.17</b>
Tax expense	0.86	0.24	0.31	0.07	0.06	0.02
<b>Profit for the year from continuing operations</b>	<b>119.01</b>	<b>32.77</b>	<b>125.58</b>	<b>30.31</b>	<b>73.92</b>	<b>22.15</b>
Profit (loss) for the year from discontinued operation – next of tax	(2.44)	(0.67)	2.06	0.50	-	-
<b>Profit for the year</b>	<b>116.57</b>	<b>32.10</b>	<b>127.64</b>	<b>30.80</b>	<b>73.92</b>	<b>22.15</b>

**Sakol Energy Public Company Limited**  
**Statement of Cash Flows**

(Unit :Baht million)

	Financial year ended 31 December		
	2015	2016	2017
<b>Cash flows from operating activities</b>			
<b>Profit for the year</b>	116.57	127.64	73.92
(Profit) loss for the year from discontinued operation	2.44	(2.06)	-
<b>Profit for the year from continuing operations</b>	<b>119.01</b>	<b>125.58</b>	<b>73.92</b>
<i>Adjustments to reconcile profit to cash receipts (payment)</i>			
Tax income	0.86	0.31	0.06
Finance costs	4.41	4.11	8.35
Depreciation and amortization	5.93	5.86	5.73
Gain on disposal of money fund	(1.19)	(0.48)	(0.78)
(Gain) losses on disposal of property and equipment	-	(5.24)	0.22
Provision for employee benefit	0.14	0.34	0.60
Interest income	(0.83)	(0.05)	(0.10)
Cash flows from operating activities before changes in operating assets and liabilities	<b>128.34</b>	<b>130.44</b>	<b>87.99</b>
<b>Changes in operating assets and liabilities</b>			
Trade account receivable	(21.17)	(49.93)	65.49
Other current receivables	0.05	(2.37)	(0.13)
Financial lease receivable	(1.11)	5.23	14.47
Spare parts and supplies	1.76	(0.55)	(0.54)
Other non-current assets	-	-	(0.98)
Trade accounts payable	23.14	(12.56)	(2.69)
Other current payables	3.53	4.31	1.08
Provisions for non-current liability	-	-	1.09
Employee benefit paid	(0.03)	-	(0.25)
Taxes paid	(0.21)	(0.34)	(0.42)
<b>Net cash from operating activities</b>	<b>134.31</b>	<b>74.23</b>	<b>165.10</b>



(Unit :Baht million)

	Financial year ended 31 December		
	2015	2016	2017
<b><u>Cash flows from investing activities</u></b>			
Proceeds from sale of money fund	407.33	283.33	527.55
Acquisition of money fund	(376.51)	(372.70)	(854.96)
Proceeds from sale of property and equipment	-	32.19	0.0002
Acquisition of building and equipment	(5.37)	(2.90)	(20.22)
Acquisition of intangible asset	(0.24)	(3.04)	(0.62)
Net cash from discontinued operation	0.03	4.08	-
Interest received	0.86	0.05	0.10
Decreased in fixed deposit with financial institution	30.00	-	-
Receipt of loan repayment from related business	27.90	-	-
Payment of loan to related business	(27.90)	-	-
<b>Net cash from (used in) investing activities</b>	<b>56.11</b>	<b>(58.98)</b>	<b>(348.15)</b>
<b><u>Cash flows from financing activities</u></b>			
Proceeds from issue of shares	202.40	-	416.22
Proceeds from short-term borrowings from financial institutions	-	-	250.00
Repayment of short-term borrowings from financial institutions	-	-	(210.00)
Repayment of long-term borrowings from financial institutions	(12.92)	(13.52)	(14.04)
Payment by a lessee for reduction of the outstanding liabilities relating to finance lease and hire purchase liabilities	(1.37)	(1.57)	(1.62)
Dividends paid to owners of the Company	(352.00)	-	(235.97)
Interest paid	(4.47)	(4.22)	(8.33)
Proceeds from long-term borrowings from financial institutions	-	-	-
Proceeds from borrowings from related business	70.00	-	-
Repayment of borrowings from related business	(70.00)	-	-
Repayment of capital to owners of the Company	(16.00)	-	-
<b>Net cash from (used in) financing activities</b>	<b>(184.35)</b>	<b>(19.30)</b>	<b>196.26</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>6.07</b>	<b>(4.05)</b>	<b>13.22</b>
Cash and cash equivalents at 1 January	6.55	12.62	8.57
<b>Cash and cash equivalents at 31 December</b>	<b>12.62</b>	<b>8.57</b>	<b>21.78</b>



### Sakol Energy Public Company Limited Key Financial Ratios

Financial Ratio	2015	2016	2017
Current ratio (times)	1.57	4.05	5.22
Quick ratio (times)	1.32	3.69	5.02
Cash flow liquidity ratio (times)	2.40	1.13	2.04
Account receivable turnover (times)	5.47	3.94	3.45
Average collection period (days)	65.83	91.31 <sup>/5</sup>	104.48 <sup>/5</sup>
Inventory turnover (times) <sup>/1</sup>	n/a	n/a	n/a
Average inventory turnover (days) <sup>/1</sup>	n/a	n/a	n/a
Account payable turnover (times)	6.15	6.27	6.31
Payment period (days)	58.56	57.45	57.07
Cash cycle (days) <sup>/2</sup>	7.27	33.85 <sup>/5</sup>	47.41 <sup>/5</sup>
Gross profit margin (%)	41.35	38.62	38.70
Operating profit margin (%)	36.51	33.72	26.54
Other profit margin	0.79	1.60	0.64
Cash to profit margin (%)	108.07	57.10	200.56 <sup>/6</sup>
Net profit margin (%)	32.10	30.80	22.15
Return on equity (%)	22.12	22.53	9.75
Return on assets (%)	17.32	17.98	8.20
Return on fixed assets (%)	21.88	24.78	18.29
Assets turnover (times)	0.54	0.58	0.37
Debt to equity ratio (times)	0.31	0.21	0.17
Interest coverage ratio (times)	31.68	19.12	20.79
Debt service coverage ratio (times) <sup>/3</sup>	0.28	3.53	0.34
Dividend payout ratio (%) <sup>/4</sup>	293.56	192.10	-

**Remarks:** <sup>/1</sup> As the Company and its subsidiaries operate natural gas compression service, they do not have remaining inventory.

<sup>/2</sup> Cash cycle of the Company and its subsidiaries during 2015 – 2017 calculated from average collection period minus payment period.

<sup>/3</sup> The Company's debt service coverage ratio is less than 1 due to the payment of dividend from operating performance in the year 2015 and 2017. Nevertheless, in 2016, the Company declared dividend from operating performance in 2016, but the actual payment was made in 2017. Therefore, operating results of 2016 was not affected by dividend payment.

<sup>/4</sup> Dividend payout ratio is calculated from dividend paid from operating performance of the Company divided by profit attributable to equity holders of the Company under the separate financial statements.

<sup>/5</sup> The Company has higher collection period and cash cycle than the average due to conversion of private limited company to public limited company, which requires change of the contract with PTT. As the change of contract will take some time, the collection period was lengthened. However, the Company already collected Baht 61.78 million from PTT. The collection period excluding such non-



recurring transaction are 62.46 days and 68.62 days and cash cycle are 5.01 days and 11.55 days as of 31 December 2016 and 31 December 2017 respectively, which are close to ratios of the previous year.

- <sup>/6</sup> As of 31 December 2016, part of the Company's account receivable in the amount of Baht 61.78 million was overdue than normal period due to change of the contract while the Company was converted into public limited company. Such account receivable was paid in January 2017.

## 13. Management Discussion and Analysis

### 13.1 Overview of Previous Operating Performance

The Company was incorporated to provide NGV compression service for NGV trailers of PTT Public Company Limited (“PTT”), after being awarded by PTT for setting-up private mother stations in Pathum Thani Province and Saraburi Province for the contract term of 20 years.

At present, the Company has 2 private mother stations which are: (1) Pathum Thani Private Mother Station located in Chiang Rak Noi, Samkhok, Pathum Thani, with the maximum compress natural gas capacity of 350 tons per day, and (2) Saraburi Private Mother Station located in Tah Maprang, Kaeng Khoi, Saraburi, with the maximum compress natural gas capacity of 400 tons per day.

From 1 January 2015, the Company and its subsidiaries changed the financial reporting standard used for preparation of consolidated financial statements for the year ended 31 December 2015, 31 December 2016, and 31 December 2017. The implementation of such financial reporting standard has caused changes to certain accounting policies of the group company, including the interpretation of Thai Financial Reporting Interpretations Committee 4 (TFRIC4) regarding determination whether an agreement is, or contains, a lease. The interpretation specifies that an agreement that meets the following criteria is, or contains, a lease: (1) the fulfilment of the agreement depends upon a specific asset; or (2) the agreement conveys a right to control the use of the underlying asset. Such interpretation includes arrangements that do not take the legal form of a lease. The Company and its subsidiaries have implemented the interpretation of such financial reporting standard as the Company has the Gas Compression Contract with PTT which contains financial lease.

As for the past operating performance, the revenue of the Company and its subsidiaries mainly derived from natural gas compression service to PTT. Such business generates reliable stream of revenue as it is a service pursuant to a long-term contract with guaranteed minimum quantity and specific formula for compensation. The total revenue of the Company and its subsidiaries for the year ended 31 December 2015 and 2016 is Baht 363.17 million and Baht 414.38 million respectively. In 2016, the Company and its subsidiaries generated additional revenue of Baht 51.21 million, compared to the previous year. The increase in revenue was a result of: 1) the increase in quantity of compressed natural gas by the Company which resulted in higher level of revenue, and 2) the Company generated revenue from improvement of natural gas quality at Pathum Thani Private Mother Station for the whole year of 2016, while in 2015, the Company generated such type of income only for 4 months (September to December 2015).

For the financial year ended 31 December 2017, the Company and its subsidiaries generated total revenue of Baht 333.70 million, a decrease of Baht 80.68 million or 19.47% mainly due to: 1) the decrease in revenue from improvement of natural gas quality as a result of lower proportion of inert gas to NGV since PTT had a policy to increase heating value (Wobbe index). However, such heating value (Wobbe index) is still at the appropriate level as prescribed by the Department of Energy, where the appropriate heating value of NGV is 37 to 42 MJ/m<sup>3</sup>, 2) lower quantity of compressed natural gas partially due to decrease in demand from users, and 3) decrease in service fees, as calculated by the prescribed formula, for natural gas compression service and improvement of natural gas quality service.

### 13.2 Analysis of Operating Performance

#### 13.2.1 Revenue

Total revenue of the Company and its subsidiaries consists of revenue from provision of natural gas compression service to PTT, which is main income of the Company and its subsidiaries. The quantity of natural gas compressed by the Company does not vary much from year to year as the Company has only one customer, which is PTT, and the long-term contract with PTT clearly specifies minimum quantity of natural gas compressed by the Company. An increase or decrease in quantity of compressed natural gas in each year is a result of demand for natural gas at that time.



Under the Gas Compression Contract with PTT, the Company will receive income based on actual quantity of compressed natural gas. The service fee is divided into 2 parts:

- 1) Availability payment (AP) is a fixed compensation for the whole period of the contract term. It is paid to the Company for construction costs of private mother station, including financial costs incurred and as return for the Company (capacity costs). The Company receives this type of revenue as revenue from financial lease.
- 2) Energy payment (EP) is a variable compensation, which is based on actual compression and improvement of natural gas quality. The Company records this type of revenue as revenue from rendering of service.

The main revenue of the Company and its subsidiaries consists of: 1) revenue from provision of natural gas compression service, and 2) revenue from financial lease since the Company and its subsidiaries implemented the interpretation of Thai Financial Reporting Interpretations Committee 4 (TFRIC4) as mentioned above.

The revenue structure of the Company and its subsidiaries for the year 2015 to 2017 is as follows:

	2015 (audited)		2016 (audited)		2017 (audited)	
	Baht million	%	Baht million	%	Baht million	%
<b>Revenue</b>						
Revenue from rendering of services	340.36	93.72	385.55	93.04	310.15	92.94
Revenue from financial lease	19.94	5.49	22.18	5.35	21.43	6.42
Other income <sup>1</sup>	2.87	0.79	6.65 <sup>2</sup>	1.60	2.12	0.64
<b>Total income</b>	<b>363.17</b>	<b>100.00</b>	<b>414.38</b>	<b>100.00</b>	<b>333.70</b>	<b>100.00</b>

Remarks: <sup>1</sup> Other income includes profits from sale of money fund, interest received, and lease and utility income.

<sup>2</sup> An increase of other income in the year 2016 was due to profits from sale of land.

#### 1. Revenue from rendering of services

In 2016, the Company and its subsidiaries generated revenue from rendering of services in the amount of Baht 385.55 million, an increase of Baht 45.19 million or 13.28% year-on-year due to: 1) the quantity of natural gas compressed by the Company was increased which resulted in higher revenue from rendering of services, and 2) the Company generated revenue from improvement of natural gas quality at Pathum Thani Private Mother Station for the whole year of 2016, while in 2015, the Company generated such type of income only for 4 months (September to December 2015).

The revenue from rendering of services for the year 2017 was Baht 310.15 million, a decrease of Baht 75.40 million or 19.56% compared to that of the previous year due to: 1) the decrease in revenue from improvement of natural gas quality as a result of lower proportion of inert gas to NGV since PTT had a policy to increase heating value (Wobbe index). However, such heating value (Wobbe index) is still at the appropriate level as prescribed by the Department of Energy, where the appropriate heating value of NGV is 37 to 42 MJ/m<sup>3</sup>, 2) lower quantity of compressed natural gas partially due to decrease in demand from users, and 3) decrease in service fees, as calculated by the prescribed formula, for natural gas compression service and improvement of natural gas quality service.

Nevertheless, from September 2017 onwards, the quantity of natural gas compressed by the Company has increased since PTT's private mother station in Pathum Thani Province is partially closed for repair for the approximated period of 12 months. As a result, certain portion of natural gas was compressed by the Company's Private Mother Station in Pathum Thani and its total quantity of compressed natural gas in September 2017 was higher than the past.

2. Revenue from financial lease

The change by the Company of its accounting policy through implementation of the interpretation of Thai Financial Reporting Interpretations Committee 4 (TFRIC4) affects the Company's financial statements, where the Company must record assets under financial lease contract as financial lease receivable in its statement of financial position in the amount equivalent to net investment under financial lease contract. Financial lease receivable is assets which give financial income to the Company in order to compensate and provide return for investment and provision of service. The Company will record revenue pursuant to financial lease contract according to the actual interest being charged.

For the financial year ended 31 December 2015 and 2016, the Company and its subsidiaries generated revenue from financial lease in the amount of Baht 19.94 million and Baht 22.18 million or 5.49% and 5.35% of the total revenue respectively. The increase in revenue from financial lease was due to entry into contract for improvement of natural gas quality by Pathum Thani Private Mother Station, of which terms and conditions qualified as financial lease.

For the financial year ended 31 December 2017, the Company and its subsidiaries generated revenue from financial lease in the amount of Baht 21.43 million or 6.42% of the total revenue. The decrease in revenue from financial lease was due to normal conditions of financial lease contract, as explained above.

3. Other income

The Company and its subsidiaries generate other income which include: 1) utility income from lease of area to related company and other company, 2) interest received, 3) profits from sale of money fund. Money fund was invested for the purpose of managing cash in the account and the fund selected has high liquidity and low risk, and 4) other income includes income from sale of scrap.

For the financial year ended 31 December 2015 and 2016, the Company and its subsidiaries generated other income equivalent to Baht 2.87 million and Baht 6.65 million respectively. Other income in 2016 increased compared to the previous year due to sale by the Company's subsidiary of certain plot of land and profits recorded from the sale of land was Baht 6.56 million.

For the financial year ended 31 December 2017, the Company and its subsidiaries generated other income equivalent to Baht 2.12 million. The decrease in other income compared to that of the previous year was due to the Company's record of profits from sale of land in May 2016, while there was no sale of land in 2017.

### 13.2.2 Cost of rendering of services, gross profit and gross margin

1. Cost of rendering of services

Cost of rendering of services of the Company and its subsidiaries includes costs required in compressing natural gas. The major cost of rendering of services is electricity fees from provision of natural gas compression service which is charged based on the conditions determined by Provincial Electricity Authority ("PEA"). PEA charges fees based on actual usage and inert gas used in improving quality of natural gas. The major cost of rendering of services can be divided into the followings:





	2015 (audited)		2016 (audited)		2017 (audited)	
	Baht million	%	Baht million	%	Baht million	%
<b>Cost of rendering of services</b>						
Cost from provision of natural gas compression service	181.88	91.11	214.89	90.81	169.78	89.30
Salary and employee benefits	6.18	3.10	7.71	3.26	8.42	4.43
Other cost of rendering of services	11.56	5.79	14.03	5.93	11.93	6.27
<b>Total cost of rendering of services</b>	<b>199.62</b>	<b>100.00</b>	<b>236.63</b>	<b>100.00</b>	<b>190.13</b>	<b>100.00</b>

Cost of rendering of services consists of:

#### 1.1 Cost from provision of natural gas compression service

Cost from provision of natural gas compression service consists of: 1) electricity fees charged in accordance with the conditions determined by PEA, which is charged for actual usage. Under the Gas Compression Contract with PTT, the Company stands by for production 24 hours a day. Therefore, the electricity fees vary over on-peak and off-peak, depending on the demand for natural gas and the number of natural gas trailer trucks of PTT that uses the Company's natural gas compression service, and 2) cost of inert gas used for improvement of natural gas quality, which is calculated based on actual quantity of inert gas used and unit price as referenced under the long-term sale and purchase inert gas contract.

1.2 Another cost of rendering of services is salary and employee benefits of the relevant employees. The Company's policy is to adjust such cost based on capabilities and performance of each employee, including considering employee benefits on various aspects and ensure that they are at similar level with benefits provided by companies within the same business. This is in line with the Company's human resource policy.

1.3 Other cost of rendering of services such as depreciation, cost for repair of equipment and tools. The Company and its subsidiaries have routine maintenance plan, including preventive maintenance for its equipment and tools in order to ensure that they are in good working conditions.

For the financial year ended 31 December 2016, cost of rendering of services of the Company and its subsidiaries was Baht 236.63 million or 57.11% of the total revenue. In 2016, the cost of rendering of services increased by Baht 37.02 million or 18.54% year-on-year. This was due to increase in the quantity of natural gas compressed by the Company and increase in the quantity of natural gas improved by Pathum Thani Private Mother Station for the whole year.

For 2017, cost of rendering of services of the Company and its subsidiaries was Baht 190.13 million, a decrease of Baht 46.50 million or 19.65%. The decrease was consistent with the revenues for the year and was caused by decrease in inert gas price and electricity charge. In addition, the Company's salary increased due to additional number of employees hired by the Company and annual adjustment of salary.

	2015 (audited)		2016 (audited)		2017 (audited)	
	Baht million	%	Baht million	%	Baht million	%
Revenue from rendering of services	340.36	100.00	385.55	100.00	310.15	100.00
Cost of rendering of services	199.62	58.65	236.63	61.38	190.13	61.30
<b>Gross profit</b>	<b>140.74</b>	<b>41.35</b>	<b>148.91</b>	<b>38.62</b>	<b>120.02</b>	<b>38.70</b>

In 2016, gross profit of the Company and its subsidiaries was Baht 148.91 million, an increase of Baht 8.17 million or 5.81% year-on-year. This was mainly due to increase in revenue from rendering of services. Factors that caused increase in revenue from rendering of services are: 1) increase in quantity of natural gas compressed by the Company causing higher revenue from rendering of services, 2) the Company generated revenue from improvement of natural gas quality at Pathum Thani Private Mother Station for the whole year of 2016, while in 2015, the Company generated such type of income only for 4 months (September to December 2015). The gross profit margin for the year 2016 was 38.62%, a decrease compared to 2015 due to increase in improvement of natural gas quality service provided by the Company.

For the year 2017, gross profit of the Company and its subsidiaries was Baht 120.02 million, a decrease of Baht 28.89 million or 19.40% year-on-year. This was mainly due to decrease in revenue from natural gas compression service as a result of decrease in quantity of natural gas compressed by the Company. In addition, quantity of inert gas used for improvement of natural gas quality was reduced as a result of PTT's policy and decrease in service fees for natural gas compression service and improvement of natural gas quality service. However, gross profit margin for the year 2017 was 38.70%, which is at a similar level compared to the previous year.

### 13.2.3 Administrative expenses, operating profit and operating margin

#### 1. Administrative expenses

Administrative expenses mainly consist of employee remuneration. The Company's policy is to adjust salary based on capabilities and performance of each employee, including considering employee benefits on various aspects and ensure that they are at similar level with companies within the same business, in line with the Company's human resource policy. Other administrative expenses include security fee, depreciation, and advisory fees.

In 2016, administrative expenses of the Company and its subsidiaries was Baht 47.74 million, an increase of Baht 8.47 million or 21.56% compared to the previous year. This was mainly due to increase in personnel cost, salary and employee benefits. There was adjustment to base salary and increase of employee welfare, including directors' remuneration which increased according to the number of meetings of the Company's board of directors and subcommittees during 2016. In addition, the Company's other expenses increased due to holding of public hearing by its subsidiary for the purpose of constructing biomass power plant.

For the year 2017, administrative expenses of the Company and its subsidiaries was Baht 61.25 million, an increase of Baht 13.51 million or 28.31% year-on-year. This was mainly due to higher personnel costs as a result of additional number of employees hired during the year and the annual adjustment of salary. In addition, the Company relocated its office and expanded lease area in order to accommodate for future growth. Therefore, the Company's lease has increased. The Company also incurred additional costs relating to listing on the Stock Exchange of Thailand including advisory fees for public relations, listing fees and audit fees.



## 2. Operating profit and operating margin

	2015 (audited)		2016 (audited)		2017 (audited)	
	Baht million	%	Baht million	%	Baht million	%
<b>Gross profit</b>	140.74	41.35	148.91	38.62	120.02	38.70
Revenue from financial lease	19.94	5.86	22.18	5.75	21.43	6.91
Other income	2.87	0.84	6.65	1.72	2.12	0.68
Administrative expenses	39.27	11.54	47.74	12.38	61.25	19.75
<b>Operating profit</b>	<b>124.28</b>	<b>36.51</b>	<b>130.01</b>	<b>33.72</b>	<b>82.32</b>	<b>26.54</b>

Remark: The above calculation of percentage is based on percentage of revenue from rendering of services.

In 2016, operating profit of the Company and its subsidiaries was Baht 130.01 million, an increase of Baht 5.73 million or 4.61% compared to the year 2015. This was mainly due to recognition of revenue from improvement of natural gas quality at Pathum Thani Private Mother Station for the whole year. However, operating margin in 2016 was 33.72%, which was lower than that of the year 2015. Although the Company increased its service on improving natural gas quality, revenue from improvement of natural gas quality generated lower gross profit margin than revenue from natural gas compression service and, hence, the operating margin was lower. In addition, the Company's administrative expenses increased due to adjustment of base salary and increase in the number of meetings of subcommittees during the year 2016 as preparation for listing on the stock exchange. The Company also incurred other expenses due to holding of public hearing by its subsidiary for the purpose of constructing biomass power plant.

For the year 2017, operating profit of the Company and its subsidiaries was Baht 82.32 million, a decrease of Baht 47.69 million or 36.68% decrease year-on-year. The decrease in operating profit was due to: 1) decrease in quantity of inert gas used for improvement of natural gas quality in line with decrease in quantity of compressed natural gas, 2) decrease in quantity of natural gas compressed by the Company, and 3) decrease in service fees, as calculated by the prescribed formula, for natural gas compression service and improvement of natural gas quality service. The decrease in operating profit was also caused by increase in administrative expenses such as personnel costs, annual adjustment of base salary, and payment of employee remuneration and benefits such as bonus. In addition, the Company relocated its office and expanded lease area in order to accommodate for future growth. Therefore, the Company's lease has increased. The Company also incurred additional costs relating to listing on the Stock Exchange of Thailand. Due to the foregoing reasons, operating margin for the year 2017 was 26.54%, decreasing from operating margin for the year 2016 of 33.72%.

### 13.2.4 Finance costs, net profit, and net profit margin

#### 1. Finance costs

In 2016, finance costs of the Company and its subsidiaries was equivalent to Baht 4.11 million, which was at a similar level to finance costs for the year 2015 of Baht 4.41 million.

For the year 2017, finance costs of the Company and its subsidiaries was Baht 8.35 million, an increase of finance costs year-on-year due to the additional short-term loan from financial institution borrowed by the Company during the year to be used as working capital. As of 31 December 2017, the outstanding balance of short-term loan from financial institution was Baht 40.00 million.

#### 2. Net profit and net profit margin

In 2016, net profit of the Company and its subsidiaries was Baht 127.64 million, an increase of Baht 11.07 million or 9.50% increase year-on-year. This was mainly due to increase in revenue

from rendering of services. The net profit margin for the year 2016 was 30.80%, a decrease from the net profit margin for the year 2015 due to lower gross profit margin and operating margin. Finance costs for the year 2016 was at a similar level to finance costs for the year 2015.

In 2017, net profit of the Company and its subsidiaries was Baht 73.92 million, a decrease of Baht 53.72 million or 42.09% decrease year-on-year. This was due to a decrease in revenue from rendering of services in the year 2017 of Baht 75.40 million. The operating profit of the Company and its subsidiaries had decreased by Baht 47.69 million compared to the previous year, which was a result of decrease in revenue from rendering of services and increase in administrative expenses from hiring additional employees, annual adjustment of base salary, relocation of office and expansion of lease area to accommodate future growth, and other expenses relating to listing the Company's shares on the Stock Exchange of Thailand. The net profit margin for the year 2017 was 22.15%, a decrease compared to the previous year.



### 13.3 Analysis on Financial Position

#### 13.3.1 Assets

The total assets of the Company and its subsidiaries mainly consist of property, plant and equipment, financial lease receivable, and current investments. As of 31 December 2015, 2016, and 2017, the total assets of the Company and its subsidiaries were Baht 657.52 million, Baht 762.18 million, and Baht 1,040.95 million respectively. The details of which are as follows:

Item	31 December 2015		31 December 2016		31 December 2017	
	Baht million	%	Baht million	%	Baht million	%
Current assets	109.82	16.70	250.30	32.84	524.07	50.34
Non-current assets	547.70	83.30	511.87	67.16	516.89	49.66
<b>Total assets</b>	<b>657.52</b>	<b>100.00</b>	<b>762.18</b>	<b>100.00</b>	<b>1,040.95</b>	<b>100.00</b>

As of 31 December 2016 and as of 31 December 2015, the Company and its subsidiaries had current assets in the amount of Baht 250.30 million and Baht 109.82 million respectively, accounting for 32.84% and 16.70% of the total assets respectively. The group company's current assets increased by Baht 140.48 million or 127.92% increase due to additional current investments. The Company received cash from operating activities and decided to manage its cash through investment in fixed-income fund. In 2016, current investments of the group company increased by Baht 90.24 million, compared to the previous year.

As of 31 December 2016 and as of 31 December 2015, the Company and its subsidiaries had non-current assets in the amount of Baht 511.87 million and Baht 547.40 million respectively, accounting for 67.16% and 83.30% of the total assets respectively. The non-current assets had decreased by Baht 35.83 million or 6.54% decrease due to sale of land in Songkhla Province by the Company's subsidiary.

As of 31 December 2017, the Company and its subsidiaries had current assets in the amount of Baht 524.07 million, an increase of Baht 273.76 million from the amount of current assets as of 31 December 2016 or an increase of 109.37% due to the increase in net current investments. The non-current assets as of 31 December 2017 was Baht 516.89 million, which is close to the amount of non-current assets of Baht 511.87 million as of the year 2016.

The details of important assets of the Company and its subsidiaries can be summarized as follows:

#### 1. Cash and cash equivalent

Cash and cash equivalent of the Company and its subsidiaries as of 31 December 2015, 2016, and 2017 were Baht 12.62 million, Baht 8.57 million, and Baht 21.78 million respectively, accounting for 1.92%, 1.12%, and 2.09% of the total assets respectively. Cash and cash equivalent consists of cash and bank deposit and short-term investment with high level of liquidity.

As of 31 December 2016, cash and cash equivalent of the Company and its subsidiaries decreased by Baht 4.05 million or 32.12% decrease compared to that as of 31 December 2015 due to the Company and its subsidiaries had invested part of their cash as current investment.

As of 31 December 2017, cash and cash equivalent of the Company and its subsidiaries was equivalent to Baht 21.78 million, an increase by Baht 13.22 million or 154.28% increase as a result of receipt of proceeds from sale of money fund.

#### 2. Current investment

The Company and its subsidiaries manage their cash by investing in fixed deposit with financial institutions and short-term fixed-income, which is low risk and generate fixed return, in order to generate additional value to the Company and its subsidiaries. As of 31 December 2015, 2016 and 2017, current investment of the Company and its subsidiaries were Baht 6.53 million, Baht



96.77 million, and Baht 425.40 million respectively or 0.99%, 12.70%, and 40.87% of the total assets respectively.

As of 31 December 2016, current investment of the Company and its subsidiaries increased by Baht 90.24 million or 1,382.23% increase compared to the amount of current investment as of 31 December 2015. The Company and its subsidiaries manage their cash generated from operating activities and remaining cash after being used as working capital by investing in current investment.

As of 31 December 2017, current investment of the Company and its subsidiaries was equivalent to Baht 425.40 million, an increase by Baht 328.63 million or 339.60% increase from that of the previous year. This was mainly due to cash management by the Company in accordance with policy of the Company and its subsidiaries. The significant transaction was proceeds from initial public offerings (IPO).

### 3. Trade account receivable and other current receivables

#### Trade account receivable

As of 31 December 2015, 2016, and 2017, trade account receivable was equivalent to Baht 72.82 million, Baht 122.75 million, and Baht 57.27 million respectively, accounting for 11.07%, 16.11%, and 5.50% of the total assets respectively. The only trade account receivable of the Company is PTT. The credit term given to PTT is 30 days from the date on which the Company correctly and completely submits invoice and all other related documents to PTT.

As of 31 December 2016 and as of 31 December 2015, trade account receivable of the Company and its subsidiaries was equivalent to Baht 122.75 million and Baht 72.82 million respectively. There was an increase of trade account receivable by Baht 49.93 million or 68.57% year-on-year due to overdue trade account receivable. The trade account receivable was overdue due to the Company's conversion from private limited company to public limited company and the Company had to submit to PTT for change of its name under the Gas Compression Contract during September 2016. Consequently, the payment of such trade account receivable by PTT was delayed. However, the Company already received payment of such trade account receivable in January 2018.

As of 31 December 2017, trade account receivable of the Company and its subsidiaries was equivalent to Baht 57.27 million, a decrease by Baht 65.49 million from that as of 31 December 2016 or 53.35% decrease year-on-year. This was mainly due to delay in payment of trade account receivable by PTT, which was caused by the Company's conversion into public limited company. At present, trade account receivable of the Company is being paid according to the normal term.

#### Other current receivables

Other current receivables consist of prepaid expenses, account receivables, and other receivables from related business and other business, which mainly arise from unpaid lease, utility and insurance premium. As of 31 December 2015, 2016, and 2017, other current receivables of the Company and its subsidiaries was equivalent to Baht 1.09 million, Baht 1.18 million and Baht 1.65 million respectively, accounting for 0.17%, 0.15%, and 0.16% of the total assets respectively. The normal credit term given by the Company is 30 days.

### 4. Financial lease receivable

(Unit : Baht million)	As of 31 December		
	2015	2016	2017
Financial lease receivable due within one year	15.11	20.12	16.70
Financial lease receivable due within one to five years	46.16	49.91	54.03
Financial lease receivable due over five years	185.74	171.75	156.58
<b>Net</b>	<b>247.01</b>	<b>241.78</b>	<b>227.31</b>



Since the Company entered into the Gas Compression Contract with PTT for the provision of natural gas compression service for natural gas trailer trucks of PTT, the Company must comply with terms and conditions under such contract. Such contract is deemed as financial lease contract pursuant to the interpretation of Thai Financial Reporting Interpretations Committee 4 (TFRIC4), where the Company must record assets under financial lease contract as financial lease receivable, the details of which are as set out below.

As of 31 December 2015, 2016, and 2017, financial lease receivable of the Company and its subsidiaries was equivalent to Baht 247.01 million, Baht 241.78 million, and Baht 227.31 million respectively. The gradual decrease in financial lease receivable was due to receipt of payment of AP from PTT.

## 5. Investment properties

Investment properties consist of trade properties for lease to third party. In 2016, the group company recategorized its accounting item by specifying certain plot of land in Nakornsawan Province as investment properties because holding of such properties is for the purpose of seeking profits through lease. As a result, investment properties of the group company as of 31 December 2016 was equivalent to Baht 12.12 million.

As of 31 December 2017, investment properties of the Company and its subsidiaries was in the amount of Baht 171.62 million, an increase by Baht 159.50 million from that as of 31 December 2016. This was mainly due to the recategorization of land in Songkhla Province and Nakornsawan Province with the book value of Baht 159.50 million as investment properties since the group company leases part of the land to third party and is not currently using such land.

## 6. Property, plant and equipment

Property, plant and equipment of the Company and its subsidiaries as of 31 December 2015, 2016, and 2017 was Baht 315.38 million, Baht 273.42 million, and Baht 128.31 million respectively, accounting for 47.97%, 35.87%, and 12.33% of the total assets. The details of property, plant and equipment are as set out below.

(Unit : Baht Million)	As of 31 December		
	2015	2016	2017
Land	275.00	238.13	78.63
Buildings and structures	6.23	6.02	5.69
Machinery and equipment	17.55	16.67	18.03
Electricity system	0.22	0.54	1.98
Equipment and tools	0.58	0.41	0.33
Fixture and office supplies	2.29	2.34	10.71
Vehicles	13.40	8.38	5.73
Construction in progres	0.11	0.94	7.21
<b>Total</b>	<b>315.38</b>	<b>273.42</b>	<b>128.31</b>

As of 31 December 2016 and as of 31 December 2015, property, plant and equipment of the Company and its subsidiaries was equivalent to Baht 273.42 million and Baht 315.38 million respectively, which is a decrease of Baht 41.96 million or 13.31% decrease year-on-year due to the sale of certain plot of land in Songkhla Province and the recategorization of part of land in Nakornsawan Province in the approximated area of 5 Rai as investment properties since the Company and its subsidiaries have leased such land to third party.

As of 31 December 2017, property, plant and equipment of the Company and its subsidiaries was equivalent to Baht 128.31 million, a decrease of Baht 145.11 million or 53.07% decrease from that as of 31 December 2016 due to the transfer of land in Songkhla Province and Nakornsawan Province with the book value of Baht 159.50 million as investment properties since the group company leases part of the land to third party and is not utilizing such land. In addition, during the year, the Company and its subsidiaries purchased building and equipment which include decoration and new office supplies, gas filling station (Trailer Bay) and improvement on electricity system and machinery in order to increase efficiency.

## **7. Intangible asset**

Intangible asset consists of copyright in computer software, which is amortized with straight-line amortization method according to the contract term. Intangible asset of the Company and its subsidiaries as of 31 December 2015, 2016, and 2015 was equivalent to Baht 0.42 million, Baht 3.38 million, and Baht 3.89 million respectively, or accounting for 0.06%, 0.44% and 0.37% of the total assets respectively.

As of 31 December 2016, intangible asset of the Company and its subsidiaries increased from as of 31 December 2015 by Baht 2.96 million or 709.65% increase due to investment by the Company in additional enterprise resource planning to accommodate for listing of the Company's shares on the stock exchange and increase work efficiency of the group company.

As of 31 December 2017, intangible asset of the Company and its subsidiaries increased from as of 31 December 2016 by Baht 0.51 million or 15.01% increase due to additional purchase of copyright in Microsoft Office program.



## Capital Structure of the Company

### 13.3.2 Liabilities

The total liabilities of the Company and its subsidiaries as of 31 December 2015, 2016, and 2017 was equivalent to Baht 154.98 million, Baht 131.60 million, and Baht 155.03 million respectively, which account for 23.57%, 17.27%, and 14.89% of the total assets respectively. Majority of the liabilities are trade accounts payable, short-term borrowings and long-term borrowings, the details of which are as set out below.

Items	31 December 2015		31 December 2016		31 December 2017	
	Baht million	%	Baht million	%	Baht million	%
Current liabilities	69.93	45.12	61.85	47.00	100.41	64.77
Non-current liabilities	85.05	54.88	69.74	53.00	54.62	35.23
<b>Total liabilities</b>	<b>154.98</b>	<b>100.00</b>	<b>131.60</b>	<b>100.00</b>	<b>155.03</b>	<b>100.00</b>

As of 31 December 2016 and as of 31 December 2015, current liabilities of the Company and its subsidiaries was equivalent to Baht 61.85 million and Baht 69.93 million respectively, accounting for 47.00% and 45.12% of the total liabilities respectively. The current liabilities decreased by Baht 8.08 million or a decrease of 11.55% compared to that of the year 2015 mainly due to a decrease in trade account payable in the amount of Baht 12.56 million and an increase in other current payables of Baht 3.94 million. As of 31 December 2016, non-current liabilities was Baht 69.74 million, a decrease of Baht 15.30 million or 17.99% decrease compared to the year 2015. The decrease of non-current liabilities was mainly due to partial repayment of long-term borrowings to financial institution by the Company and its subsidiaries.

As of 31 December 2017, current liabilities of the Company and its subsidiaries was equivalent to Baht 100.41 million, accounting for 64.77% of the total liabilities. Current liabilities of the Company and its subsidiaries increased by Baht 38.56 million or 62.33% increase from that as of 31 December 2016 due to increase in short-term borrowings from financial institution. Non-current liabilities as of 31 December 2017 was equivalent to Baht 54.62 million or a decrease of Baht 15.12 million or 21.68% from that as of 31 December 2016. The decrease of non-current liabilities was due to repayment by the Company and its subsidiaries of the amount of long-term borrowings to financial institution, which was due and payable.

Details of significant liabilities of the Company and its subsidiaries can be summarized as follows:

#### 1. Trade accounts payable and other current payables

Trade accounts payable mainly consist of accounts payable for inert gas and account payable for electricity. Other current payables mainly consist of value added taxes and accrued employee bonus. As of 31 December 2015, 2016, and 2017, trade accounts payable of the Company and its subsidiaries was equivalent to Baht 44.04 million, Baht 31.49 million, and Baht 28.80 million respectively, accounting for 6.70%, 4.13% and 2.77% of the total assets respectively. Other current payables of the Company and its subsidiaries as of 31 December 2015, 2016, and 2017 was equivalent to Baht 10.76 million, Baht 14.70 million, and Baht 15.85 million respectively, accounting for 1.64%, 1.93%, and 1.52% of the total assets respectively.

As of 31 December 2016 and as of 31 December 2017, trade accounts payable of the Company and its subsidiaries was Baht 31.49 million and Baht 44.04 million, a decrease of Baht 12.56 million or 28.51% decrease year-on-year due to decrease in trade account payable as quantity and price of inert gas decreased during the last two months of the year 2016. As of 31 December 2016 and 31 December 2015, other current payables of the Company and its subsidiaries was Baht 14.70 million and Baht 10.76 million respectively, an increase of Baht 3.94 million or 36.62% increase year-on-year. This was mainly due to increase in revenue and accrued employee bonus.

As of 31 December 2017, trade accounts payable of the Company and its subsidiaries was Baht 28.80 million, a decrease of Baht 2.69 million or 8.54% decrease year-on-year due to decrease in quantity of inert gas used for mixing with NGV according to PTT's policy and decrease in inert gas price. As of 31 December 2017, other current payables of the Company and its subsidiaries was Baht 15.85 million, an increase of Baht 1.15 million or 7.84% increase year-on-year. This was mainly due to increase in accrued employee bonus, accrued office decoration expenses, and increase in audit fees.

## 2. Borrowings from financial institution

Borrowings from financial institution of the Company and its subsidiaries are for the purpose of investment in new projects or expansion of existing business. All borrowings are in Thai Baht currency.

Item	As of 31 December		
	2015	2016	2017
Borrowings due and payable within one year	13.56	14.04	54.68
Borrowings due and payable after one year, but not exceeding 5 years	70.25	56.25	41.57
<b>Total borrowings from financial institution</b>	<b>83.81</b>	<b>70.29</b>	<b>96.25</b>

As of 31 December 2016 and as of 31 December 2015, net long-term borrowings of the Company and its subsidiaries was Baht 70.29 million and Baht 83.81 million respectively, a decrease of Baht 13.52 million or a decrease of 16.13% year-on-year due to repayment of long-term borrowings to financial institution.

As of 31 December 2017, net borrowings of the Company and its subsidiaries was Baht 96.25 million, an increase of Baht 25.96 million or 36.93% increase year-on-year due to short-term borrowings to be used as working capital.

## 3. Finance lease and hire purchase liabilities

Finance lease and hire purchase liabilities of the Company and its subsidiaries consists of financial lease payable and hire purchase payable for vehicles. As of 31 December 2015, 2016, and 2017, finance lease and hire purchase liabilities was equivalent to Baht 5.78 million, Baht 4.21 million, and Baht 2.59 million respectively.

As of 31 December 2016 and as of 31 December 2015, finance lease and hire purchase liabilities of the Company and its subsidiaries was Baht 4.21 million and Baht 5.78 million, a decrease by Baht 1.57 million from that of the year 2015 or 27.15% decrease year-on-year due to partial payment of liabilities pursuant to financial lease contract and hire-purchase contract and there was no additional financial contract and hire-purchase contract.

As of 31 December 2017, finance lease and hire purchase liabilities of the Company and its subsidiaries was Baht 2.59 million, a decrease by Baht 1.62 million from that as of 31 December 2016 or 38.55% year-on-year decrease due to partial payment of liabilities under financial lease contract and hire-purchase contract.

## 4. Deferred tax liabilities

(Unit : Baht million)	As of 31 December		
	2015	2016	2017
<b>Deferred tax liabilities</b>			
- Difference in revenue recognition between accounting and tax in respect of revenue from financial lease contract	9.05	9.05	9.12
- Property, plant, and equipment	0.73	0.71	0.70
- Financial lease liabilities	0.03	0.03	0.03
<b>Net</b>	<b>9.82</b>	<b>9.80</b>	<b>9.85</b>





The Accounting Standards 12 regarding income taxes requires that Company and its subsidiaries record deferred tax assets and deferred tax liabilities under the financial statements by calculating temporary differences between carrying amount of assets and liabilities and tax base of assets and liabilities in order to calculate tax consequences. The Company and its subsidiaries have implemented such policy retrospectively in order to comply with this accounting standards.

As of 31 December 2016 and 31 December 2015, the Company and its subsidiaries recorded minor change on deferred tax liabilities.

As of 31 December 2017, deferred tax liabilities of the Company and its subsidiaries was Baht 9.85 million, a minor difference compared to that as of 31 December 2016.

### 13.3.3 Shareholders' Equity

Shareholders' equity of the Company and its subsidiaries consists of: 1) issued and paid-up share capital, 2) share premium on ordinary shares, 3) appropriated and unappropriated retained earnings, and 4) other components of shareholders' equity.

As at the end of year 2015, 2016, and 2017, shareholders' equity of the Company and its subsidiaries was equivalent to Baht 502.55 million, Baht 630.58 million, and Baht 885.92 million, the details of which are as set out below.

As of 31 December 2016, shareholders' equity of the Company and its subsidiaries was equivalent to Baht 630.58 million, an increase by Baht 128.04 million or 25.48% from that as of 31 December 2015 mainly due to net profit for the year 2016 generated by the Company and its subsidiaries causing an increase in retained earnings.

In addition, the resolutions of the Extraordinary General Meeting of Shareholders No. 1/2016 held on 1 September 2016 approved the following matters: 1) par split of the Company's shares from the par value of Baht 100 per share to Baht 0.50 per share, and 2) increase of the Company's registered capital by Baht 118.60 million from registered capital of Baht 346.40 million to Baht 465.00 million by issuing 237,200,000 newly issued ordinary shares at the par value of Baht 0.50 per share.

As of 31 December 2017, shareholders' equity of the Company and its subsidiaries increased by Baht 255.34 million or 40.49% from that as of 31 December 2016 due to the initial public offering (IPO). Consequently, the issued and paid-up capital of the Company increased by Baht 118.60 million to Baht 465 million and the share premium on ordinary shares was equivalent to Baht 297.62 million. In addition, unappropriated retained earnings of the Company and its subsidiaries decreased due to dividend payment. On 6 March 2017, the shareholders of the Company resolved to approve payment of dividend of Baht 0.3406 per share, totaling Baht 235.97 million. Such payment of dividend was in accordance with dividend policy of the Company.

## 13.4 Analysis on cash flows of the Company and its subsidiaries

(Unit : Baht million)	2015	2016	2017
Net cash from operating activities	134.31	74.23	165.10
Net cash from (used in) investing activities	56.11	(58.98)	(348.15)
Net cash from (used in) financing activities	(184.35)	(19.30)	196.26
Net increase (decrease) in cash and cash equivalents	6.07	(4.05)	13.22

### 1. Net cash from operating activities

As of 31 December 2015, 2016, and 2017, net cash from operating activities of the Company and its subsidiaries was equivalent to Baht 134.31 million, Baht 74.23 million, and Baht 165.10 million respectively.

As of 31 December 2015, net cash from operating activities of the Company and its subsidiaries was equivalent to Baht 134.31 million mainly due to increase in operating profits of the Company and its subsidiaries and increase in account payable for inert gas.

As of 31 December 2016, net cash from operating activities of the Company and its subsidiaries was equivalent to Baht 74.23 million mainly due to increase in trade account receivable from conversion from private limited company to public limited company and such conversion required change to the Gas Compression Contract with PTT which delayed the payment by PTT to the Company and its subsidiaries.

As of 31 December 2017, net cash from operating activities of the Company and its subsidiaries was equivalent to Baht 165.10 million mainly due to increase in operating profits of the Company and its subsidiaries and decrease in trade account receivable by Baht 65.49 million.

## 2. Net cash from investing activities

As of 31 December 2015, 2016, and 2017, net cash from (used in) investing activities of the Company and its subsidiaries was equivalent to Baht 56.11 million, Baht (58.98) million, Baht (348.15) million respectively, the details of which are set out below.

As of 31 December 2015, net cash from investing activities of the Company and its subsidiaries was equivalent to Baht 56.11 million due to a decrease in net current investment by Baht 30.82 million and cash receipt in respect of fixed deposit with financial institution of Baht 30 million. Part of cash flows of the Company and its subsidiaries decreased by Baht 5.37 million mainly due to purchase of vehicles, decorating items, office supplies, and loan to related business and receipt of loan repayment during the year.

As of 31 December 2016, net cash used in investing activities of the Company and its subsidiaries was equivalent to Baht 58.98 million mainly due to purchase of net current investment of Baht 89.37 million as cash management in accordance with policy of the Company and its subsidiaries. In addition, during May 2016, the Company's subsidiary sold plot of land for consideration of Baht 32.19 million.

As of 31 December 2017, net cash used in investing activities of the Company and its subsidiaries was equivalent to Baht 348.15 million mainly due to increase in net current investment by Baht 327.41 million. The investment is in accordance with cash management policy of the Company and its subsidiaries. The significant transaction during the year is proceeds from initial public offering (IPO) and cash paid for purchase of building and equipment, namely decoration expenses and new office supplies, construction of gas filling station (Trailer Bay) and improvement on electricity system and machinery to increase work efficiency.

## 3. Net cash from financing activities

For the financial year ended 31 December 2015, 2016, and 2017, net cash from (used in) financing activities of the Company and its subsidiaries was Baht (184.35) million, Baht (19.30) million, and Baht 196.26 million respectively.

For the financial year ended 31 December 2015, net cash used in financing activities of the Company and its subsidiaries was Baht 184.35 million mainly due to dividend payment to the Company's shareholders in the amount of Baht 352.00 million, repayment of capital to the Company's shareholders in the amount of Baht 16.00 million, repayment of loan from financial institution in the amount of Baht 12.92 million. During the year, the Company and its subsidiaries received proceeds from issuing ordinary shares in the amount of Baht 202.40 million, which resulted in the group company having net cash used in financing activities. In addition, there was loan to related business and receipt of proceeds from loan repayment during the year.

For the financial year ended 31 December 2016, net cash used in financing activities of the Company and its subsidiaries was Baht 19.30 million. The major financing activity was the partial repayment of loan from financial institution in the amount of Baht 13.52 million.

For the financial year ended 31 December 2017, net cash from financing activities of the Company and its subsidiaries was Baht 196.26 million as a result of cash receipt from initial



public offering (IPO). In addition, the Company and its subsidiaries paid dividend to shareholders in March 2017.

### 13.5 Key Financial Ratio Analysis

#### 1. Liquidity ratio

- Current ratio, quick ratio and cash flow liquidity ratio

As of 31 December 2016, the Company and its subsidiaries had current ratio of 4.05 times, quick ratio of 3.69 times, and cash flow liquidity ratio of 1.13 times. Current ratio and quick ratio as of 31 December 2016 had increased from those as of 31 December 2015 due to increase in current assets, decrease in current liabilities. The cash flow liquidity ratio had decreased due to increase in trade account payable.

For the financial year ended 31 December 2017, the Company and its subsidiaries had current ratio of 5.22 times, quick ratio of 5.02 times, and cash flow liquidity ratio of 2.04 times. Current ratio and quick ratio as of 31 December 2017 had increased from those as of 31 December 2016 due to increase in current investment from proceeds from initial public offering (IPO). The cash flow liquidity ratio had increased due to decrease in trade account payable.

- Average collection period and average payment period

Item	31 December		
	2015	2016	2017
Average collection period (days)	65.83	91.31 <sup>/1</sup>	104.48 <sup>/1</sup>
Average payment period (days)	58.56	57.45	57.07
Cash cycle (days)	7.27	33.85 <sup>/1</sup>	47.41 <sup>/1</sup>

Remark: <sup>/1</sup> The Company has average higher collection period and cash cycle than normal due to conversion of private limited company to public limited company which required change to the contract with PTT. The change to the contract took some time and caused the delay in payment by PTT to the Company. However, the Company already received payment of its trade account payable in the amount of Baht 61.78 million from PTT. Average collection period (excluding such non-recurring transaction) is 62.46 days and 68.62 days and cash cycle is 5.01 days and 11.55 days as of 31 December 2016 and 31 December 2017 respectively, which are quite similar to those of the previous year.

The Company and its subsidiaries have average collection period as of 31 December 2015, 2016, and 2017 equivalent to 65.83 days, 91.31 days, and 104.48 days respectively. PTT has a credit term of 30 days from the receipt date of invoice and all other related documents and the invoice is sent to PTT on a monthly basis within 5<sup>th</sup> day of the subsequent month. Therefore, the average collection period of the Company is about 60 – 65 days. For the year 2016, the Company and its subsidiaries have longer average collection period due to conversion from private limited company to public limited company which required change to the contract with PTT. Such event caused a delay in payment of service fees from PTT to the Company and its subsidiaries. However, overdue trade account receivable in the amount of Baht 61.78 million was paid in January 2017. The average collection period as of 31 December 2017 of the Company and its subsidiaries is 104.48 days, which is longer than normal, although trade account receivable of Baht 61.78 million was paid in January 2017. This was due to greater decrease in average revenue from rendering of services than decrease in average trade account receivable and without no changes to credit term provided to PTT.

The average payment period of the Company and its subsidiaries as of 31 December 2015, 2016, and 2017 is equivalent to 58.56 days, 57.45 days, and 57.07 days respectively. The average

payment period of the group company ranges between 50 – 60 days for which the Company and its subsidiaries have similar payment period during 2015, 2016, and 2017.

Cash cycle of the Company and its subsidiaries in the year 2015, 2016, and 2017 is 7.27 days, 33.85 days, and 47.41 days respectively. Since 2016, the Company and its subsidiaries have a longer average collection period due to conversion from private limited company to public limited company which required change to the contract with PTT. Such event caused a delay in payment of service fees from PTT to the Company and its subsidiaries. As a result, cash cycle had significantly increased. However, after trade account receivable was paid by PTT, cash cycle is back to normal level.

## 2. Efficiency ratio

For the financial year ended 31 December 2015, 2016, and 2017, return on assets of the Company and its subsidiaries is equivalent to 17.32%, 17.98%, and 8.20% respectively. Return on fixed assets is equivalent to 21.88%, 24.78%, and 18.29% respectively. Assets turnover is equivalent to 0.54 times, 0.58 times, and 0.37 times respectively. Such ratios are in good level overall, indicating that assets invested by the Company and its subsidiaries are in line with the business operation and the Company and its subsidiaries can utilize the assets effectively.

## 3. Financial policy ratio

### Interest coverage ratio

For the financial year ended 31 December 2015, 2016, and 2017, interest coverage ratio of the Company and its subsidiaries is equivalent to 31.68 times, 19.12 times, and 20.79 times respectively. As of 31 December 2017, interest coverage ratio of the Company and its subsidiaries is higher than normal due to cashflow from operating activities from decrease in trade account receivable as the Company received payment of overdue service fees from PTT in the amount of Baht 61.78 million after making changes to the contract with PTT as a result of conversion into public limited company. Interest paid by the Company is considered at a low level when compared to revenue from natural gas compression service.

### Debt to equity ratio

Sources of fund of the Company and its subsidiaries mainly consist of loan from financial institution and shareholders' equity. As of 31 December 2015, 2016, and 2017, debt to equity ratio of the Company and its subsidiaries is equivalent to 0.31%, 0.21% and 0.17% respectively.

In 2016, debt to equity ratio of the Company and its subsidiaries is slightly lower due to decrease in liabilities as the Company has higher liquidity from cash flow from operating activities.

For the financial year ended 31 December 2017, debt to equity ratio of the Company and its subsidiaries had decreased due to initial public offering during the end of the year.



## Factors which may affect operating performance and financial position in the future

### 1) Expiration of the Gas Compression Contracts with PTT

Since the contract term of the natural gas compression service contracts with PTT in respect of both stations, namely Pathum Thani Private Mother Station and Saraburi Private Mother Station is 20 years and the contracts will expire in 2029 and 2030 respectively. If such contracts expire and not being renewed, the Company's revenue may be affected. However, upon the end of the contract term of 20 years and if PTT does not negotiate for new contracts, the contract term in respect Pathum Thani Private Mother Station shall be automatically extended for another period of 1 – 5 years and the contract term in respect Saraburi Private Mother Station shall be automatically extended for another period of 2 years.

The Company is of the view that in the future NGV will still be in demand, given fuel is at a low price similar to present, and although there is a gap between price of NGV and fuel. However, NGV continues to be in demand for logistics industry, which will provide the Company with the opportunity to negotiate new contracts with PTT in the future, subject to consideration of PTT.

In respect of development of new business, the Company plans to set-up Ex-pipeline NGV conventional service station in Nakornsawan Province, which will purchase NGV from PTT for distribution to retail customers at the station. This business will create future revenue stream to the Company.

### 2) Natural gas price versus regular gasoline price

The increase in world regular gasoline price is one of the factors which has generated interests for NGV from consumers as there is a significant price difference between NGV and regular gasoline. However, consumers are now increasingly turning backs on NGV as the price of regular gasoline becomes lower and the price of NGV becomes higher. If the demand for NGV decreases, future revenue of the Company shall be affected. However, the major consumers of NGV are freight and trucks, which still have more demand for NGV than regular gasoline due to lower costs, even though the price of regular gasoline becomes lower.

### 3) Fluctuation in service fees for natural gas compression from PTT

The service fees for natural gas compression collected from PTT consist of 2 main parts: (1) availability payment (AP), a fixed compensation for the whole period of the contract term, and (2) energy payment (EP), a variable compensation which varies each year based on electricity price, exchange rate, Consumer Price Index, and Road Freight Transport Index. Such variable will cause increase or decrease in the Company's operating results. The results of sensitivity analysis on revenue, costs of services, and net profits assuming circumstances where there are changes to electricity price, Consumer Price Index, and exchange rate are set out below.

Change to Electricity Price <sup>1/</sup>	Year 2017	Increase			Decrease		
		+ 5%	+10%	+15%	-5%	-10%	-15%
Revenue from rendering of services	310.15	317.59	325.04	332.48	302.71	295.20	287.82
Cost of services	190.13	194.10	198.07	202.04	186.16	182.19	178.22
Net profits	73.77	77.24	80.71	84.19	70.30	66.83	63.35
Changes to net profits	-	4.71%	9.41%	14.12%	-4.71%	-9.41%	-14.12%

Change to Consumer Price Index <sup>2/</sup>	Year 2017	Increase			Decrease		
		+ 5%	+10%	+15%	- 5%	-10%	-15%
Revenue from rendering of services	310.15	310.61	311.08	311.54	309.68	309.22	308.75
Cost of services	190.13	191.74	193.34	194.95	188.52	186.92	185.31
Net profits	73.77	72.63	71.49	70.34	74.91	76.05	77.20
Changes to net profits	-	-1.55%	-3.10%	-4.64%	1.55%	3.10%	4.64%



Change to Exchange Rate <sup>3/</sup>	Year 2017	Increase			Decrease		
		+ 5%	+10%	+15%	- 5%	-10%	-15%
Revenue from rendering of services	310.15	311.54	312.94	314.34	308.75	307.36	305.96
Cost of services	190.13	190.37	190.61	190.85	189.89	189.65	189.41
Net profits	73.77	74.93	76.08	77.24	72.61	71.46	70.30
<b>Changes to net profits</b>	-	<b>1.57%</b>	<b>3.13%</b>	<b>4.70%</b>	<b>-1.57%</b>	<b>-3.13%</b>	<b>-4.70%</b>

**Remarks<sup>1/</sup>** The calculation of energy payment (EP) under the formula uses electricity price of the previous year, i.e. electricity price in the year 2016 will be used for calculation of revenue from rendering of services in the year 2017. The changes in the above table is an increase/decrease of electricity price from the year 2016 according to the specified formula. The changes to electricity price, which affect cost of services under the table above, uses the actual electricity price in 2017 for calculation.

<sup>2/</sup> The calculation of energy payment (EP) under the formula uses Consumer Price Index of the previous year, i.e. Consumer Price Index in the year 2016 will be used for calculation of revenue from rendering of services in the year 2017. The changes in the above table is an increase/decrease of Consumer Price Index from the year 2016 according to the specified formula. The changes to Consumer Price Index, which affect cost of services under the table above, uses only costs of employee salary for calculation.

<sup>3/</sup> The calculation of energy payment (EP) under the formula uses exchange rate of the previous year, i.e. exchange rate in the year 2016 will be used for calculation of revenue from rendering of services in the year 2017. The changes in the above table is an increase/decrease of exchange rate from the year 2016 according to the specified formula. The changes to exchange rate, which affect cost of services under the table above, uses only costs of importing spare parts for calculation.

The above information indicates that electricity costs is a major variable. An increase or decrease in electricity costs will have the most impact to operating performance of the Company, compared to changes in Consumer Price Index or exchange rate. An increase in costs of services in the current year (t) will not be reflected in revenue from rendering of service in the current year (t), but such variable costs will be reflected in revenue from rendering of service in the following year (t+1) in respect of Energy Payment as calculated under the formula for calculating natural gas compression service fees. Therefore, fluctuation in service fees due to variable factor will not have significant impact on the Company's operating results in the long-run.

Road Freight Transport Index, which affects only revenue from improvement of natural gas quality, will not affect cost of service or gross profits because the Company uses the same formula in calculating cost of purchasing inert gas and revenue from PTT.

However, the Company records availability payment, which is part of the revenue from providing natural gas compression service to PTT and a fixed compensation for the whole contract term with no fluctuation based on other variables.

**Sakol Energy Public Company Limited  
and its Subsidiaries**

Financial statements for the year ended  
31 December 2017  
and  
Independent Auditor's Report



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## Independent Auditor's Report

### To the Shareholders of Sakol Energy Public Company Limited

#### *Opinion*

I have audited the consolidated and separate financial statements of Sakol Energy Public Company Limited and its subsidiaries (the "Group") and of Sakol Energy Public Company Limited (the "Company"), respectively, which comprise the consolidated and separate statements of financial position as at 31 December 2017, the consolidated and separate statements of income and comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying consolidated and separate financial statements present fairly, in all material respects, the financial position of the Group and the Company, respectively, as at 31 December 2017 and their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs).

#### *Basis for Opinion*

I conducted my audit in accordance with Thai Standards on Auditing (TSAs). 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 and the Company in accordance with the Code of Ethics for Professional Accountants issued by the Federation of Accounting Professions that is relevant to my audit of the consolidated and separate financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### *Key Audit Matters*

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





Consideration of capital expenditures that increased during the year	
Refer to Notes 3 (r) and 12	
The key audit matter	How the matter was addressed in the audit
<p>Since 2009 the Company has entered into contracts to provide natural gas compression service which have met the conditions for arrangements which contain leases under TFRIC Interpretation 4. Subsequently in 2017 the Company incurred capital expenditures relevant to performance improvement of machinery. Costs directly related to the improvement were capitalized as part of equipment.</p> <p>Because of the complexity in accounting treatment, management needs to give consideration to assessment of arrangement after the commencement date whether the arrangement is under TFRIC Interpretation 4. The significance of those capital expenditures involved, this is an area that my audit concentrated on.</p>	<p>My audit procedures in this area included the following :</p> <ul style="list-style-type: none"> <li>• understanding of key terms of the arrangement under the natural gas compression contracts and procedures and consideration given by management on determining the facts and circumstances whether the Company is required to reassess the arrangement under TFRIC Interpretation 4</li> <li>• sample testing the capital expenditures that increased during the year</li> <li>• evaluating the appropriateness of consideration given by management to the assessment of the arrangement whether it is under financial reporting standards</li> </ul>

#### *Other Information*

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

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

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

#### *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 TFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, management is responsible for assessing the Group's and the Company'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 and the Company or to cease operations, or has no realistic alternative but to do so.

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

*vs*

*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 TSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with TSAs, 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 and the Company'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 and the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.







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

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

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

A handwritten signature in black ink, reading 'Napaporn S.'.

(Napaporn Sathitthammaporn)  
Certified Public Accountant  
Registration No. 7494

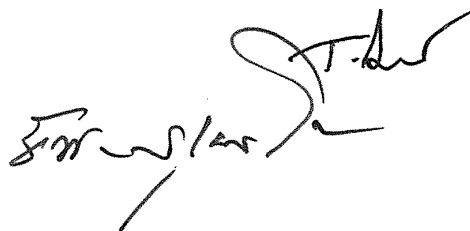
KPMG Phoomchai Audit Ltd.  
Bangkok  
23 February 2018

**Sakol Energy Public Company Limited and its subsidiaries**
**Statement of financial position**

Assets	Note	Consolidated financial statements		Separate financial statements	
		31 December		31 December	
		2017	2016	2017	2016
		(Baht)			
<b>Current assets</b>					
Cash and cash equivalents	5	21,784,847	8,567,267	21,560,870	8,477,762
Current investments	6	425,397,906	96,769,620	393,570,060	65,508,059
Trade account receivable	7	57,266,248	122,753,450	57,266,248	122,753,450
Current portion of financial lease receivable	8	16,703,019	20,122,770	16,703,019	20,122,770
Other current receivables	4	1,653,209	1,180,775	1,618,111	1,118,198
Current spare parts and supplies		1,261,144	910,433	1,261,144	910,433
<b>Total current assets</b>		<b>524,066,373</b>	<b>250,304,315</b>	<b>491,979,452</b>	<b>218,890,672</b>
<b>Non-current assets</b>					
Investments in subsidiaries	10	-	-	201,999,400	201,999,400
Financial lease receivable	8	210,607,323	221,662,077	210,607,323	221,662,077
Non-current spare parts and supplies		1,484,198	1,291,721	1,484,198	1,291,721
Investment properties	11	171,617,614	12,121,851	-	-
Property, plant and equipment	12	128,309,598	273,419,297	128,309,598	113,923,534
Intangible asset		3,886,347	3,379,074	3,886,347	3,379,074
Other non-current assets		982,316	-	982,316	-
<b>Total non-current assets</b>		<b>516,887,396</b>	<b>511,874,020</b>	<b>547,269,182</b>	<b>542,255,806</b>
<b>Total assets</b>		<b>1,040,953,769</b>	<b>762,178,335</b>	<b>1,039,248,634</b>	<b>761,146,478</b>



บริษัท สากล เอนเนอจี้ จำกัด (มหาชน)  
SAKOL ENERGY PUBLIC COMPANY LIMITED



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



## Sakol Energy Public Company Limited and its subsidiaries

## Statement of financial position

	Note	Consolidated financial statements		Separate financial statements	
		31 December		31 December	
Liabilities and shareholders' equity		2017	2016	2017	2016
		(Baht)			
<b>Current liabilities</b>					
Short-term borrowings					
from financial institution	13	40,000,000	-	40,000,000	-
Trade accounts payable		28,798,092	31,485,643	28,798,092	31,485,643
Other current payables	14	15,854,823	14,701,790	15,462,479	14,519,946
Current portion of long-term borrowings					
from financial institution	13	14,680,076	14,043,314	14,680,076	14,043,314
Current portion of finance lease and hire purchase liabilities	13	1,076,021	1,622,495	1,076,021	1,622,495
<b>Total current liabilities</b>		<b>100,409,012</b>	<b>61,853,242</b>	<b>100,016,668</b>	<b>61,671,398</b>
<b>Non-current liabilities</b>					
Long-term borrowings					
from financial institution	13	41,567,512	56,247,396	41,567,512	56,247,396
Finance lease and hire purchase liabilities	13	1,510,239	2,586,260	1,510,239	2,586,260
Deferred tax liabilities	15	9,854,486	9,799,369	9,854,486	9,799,369
Non-current provisions for employee benefit		597,999	1,110,810	597,999	1,110,810
Provisions for non-current liability		1,090,000	-	1,090,000	-
<b>Total non-current liabilities</b>		<b>54,620,236</b>	<b>69,743,835</b>	<b>54,620,236</b>	<b>69,743,835</b>
<b>Total liabilities</b>		<b>155,029,248</b>	<b>131,597,077</b>	<b>154,636,904</b>	<b>131,415,233</b>



บริษัท สากล เอนเนอจี้ จำกัด (มหาชน)  
SAKOL ENERGY PUBLIC COMPANY LIMITED

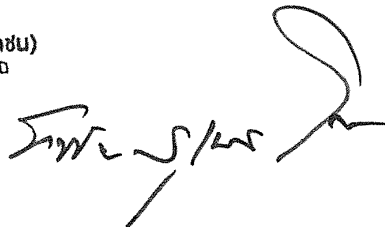
The accompanying notes are an integral part of these financial statements.

**Sakol Energy Public Company Limited and its subsidiaries**
**Statement of financial position**

		Consolidated financial statements		Separate financial statements	
		31 December		31 December	
Liabilities and shareholders' equity	Note	2017	2016	2017	2016
(Baht)					
<b>Shareholders' equity</b>					
Share capital:	16				
Authorized share capital		465,000,000	465,000,000	465,000,000	465,000,000
Issued and paid share capital		465,000,000	346,400,000	465,000,000	346,400,000
Share premium on ordinary shares	16	297,618,600	-	297,618,600	-
Retained earnings					
Appropriated					
Legal reserve	17	26,000,000	22,200,000	26,000,000	22,200,000
Unappropriated		96,401,183	261,518,766	95,637,446	260,904,792
Other components of shareholders' equity		904,738	462,492	355,684	226,453
<b>Total shareholders' equity</b>		<b>885,924,521</b>	<b>630,581,258</b>	<b>884,611,730</b>	<b>629,731,245</b>
<b>Total liabilities and shareholders' equity</b>		<b>1,040,953,769</b>	<b>762,178,335</b>	<b>1,039,248,634</b>	<b>761,146,478</b>



บริษัท สากล เอนเนอจี้ จำกัด (มหาชน)  
SAKOL ENERGY PUBLIC COMPANY LIMITED




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



## Sakol Energy Public Company Limited and its subsidiaries

## Statement of income

	Note	Consolidated financial statements		Separate financial statements	
		Year ended 31 December		Year ended 31 December	
		2017	2016	2017	2016
		(Baht)			
<b>Income</b>	<b>18</b>				
Revenue from rendering of services	23	310,149,412	385,546,006	310,149,412	385,546,006
Revenue from financial lease		21,434,202	22,184,661	21,434,202	22,184,661
Other income	4	2,120,220	6,649,257	1,559,250	1,269,730
<b>Total income</b>		<b>333,703,834</b>	<b>414,379,924</b>	<b>333,142,864</b>	<b>409,000,397</b>
<b>Expenses</b>					
Cost of rendering of services	21	190,130,364	236,633,009	190,130,364	236,633,009
Administrative expenses	4, 21	61,252,741	47,739,244	60,841,534	44,769,453
Loss from liquidation of subsidiary	21	-	-	-	666,297
Finance costs		8,345,547	4,114,151	8,345,547	4,114,151
<b>Total expenses</b>		<b>259,728,652</b>	<b>288,486,404</b>	<b>259,317,445</b>	<b>286,182,910</b>
<b>Profit before income tax expense</b>					
from continuing operations		73,975,182	125,893,520	73,825,419	122,817,487
Tax (expense) income	22	(55,117)	(308,922)	(55,117)	17,003
<b>Profit for the year from continuing operations</b>		<b>73,920,065</b>	<b>125,584,598</b>	<b>73,770,302</b>	<b>122,834,490</b>
<b>Discontinued operation</b>					
Profit for the year from discontinued operation, net of tax	9	-	2,057,322	-	-
<b>Profit for the year</b>		<b>73,920,065</b>	<b>127,641,920</b>	<b>73,770,302</b>	<b>122,834,490</b>
<b>Basic earnings per share (in Baht)</b>	<b>24</b>				
Basic earnings per share from continuing operations		0.103	0.181	0.102	0.177
Basic earnings per share from discontinued operation		-	0.003	-	-



บริษัท สากล เอนเนอร์ยี่ จำกัด (มหาชน)  
SAKOL ENERGY PUBLIC COMPANY LIMITED

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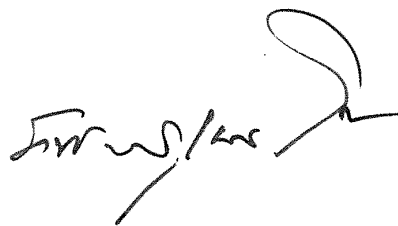


**Sakol Energy Public Company Limited and its subsidiaries**
**Statement of comprehensive income**

	Note	Consolidated financial statements		Separate financial statements	
		Year ended 31 December		Year ended 31 December	
		2017	2016	2017	2016
		(Baht)			
Profit for the year		73,920,065	127,641,920	73,770,302	122,834,490
Other comprehensive income					
<i>Components of other comprehensive income that will be reclassified to profit or loss</i>					
Gains on remeasurement investments held as available-for-sale	6	442,246	393,588	129,231	226,453
Total components of other comprehensive income that will be reclassified to profit or loss		442,246	393,588	129,231	226,453
<i>Components of other comprehensive income that will not be reclassified to profit or loss</i>					
Gains on remeasurements of defined benefit plans		730,032	-	730,032	-
Total components of other comprehensive income that will not be reclassified to profit or loss		730,032	-	730,032	-
Other comprehensive income for the year, net of tax		1,172,278	393,588	859,263	226,453
Total comprehensive income for the year		75,092,343	128,035,508	74,629,565	123,060,943



บริษัท สากล เอนเนอจี้ จำกัด (มหาชน)  
SAKOL ENERGY PUBLIC COMPANY LIMITED




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



**Sakol Energy Public Company Limited and its subsidiaries**  
**Statement of changes in equity**

	Consolidated financial statements				
	Issued and paid share capital	Share premium	Retained earnings		Total shareholders' equity
			Legal reserve	Unappropriated	
			(Baht)		
<b>Year ended 31 December 2016</b>					
Balance at 1 January 2016	346,400,000	-	16,000,000	140,076,846	502,545,750
Comprehensive income for the year					
Profit	-	-	-	127,641,920	127,641,920
Other comprehensive income	-	-	-	-	393,588
<b>Total comprehensive income for the year</b>	-	-	-	127,641,920	128,035,508
Transfer to legal reserve	-	-	6,200,000	(6,200,000)	-
<b>Balance at 31 December 2016</b>	<b>346,400,000</b>	<b>-</b>	<b>22,200,000</b>	<b>261,518,766</b>	<b>630,581,258</b>

17, 25



บริษัท สากล เอนเนอจี้ จำกัด (มหาชน)  
SAKOL ENERGY PUBLIC COMPANY LIMITED

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

**Sakol Energy Public Company Limited and its subsidiaries**  
**Statement of changes in equity**

	Note	Consolidated financial statements					
		Issued and paid share capital	Share premium	Retained earnings		Investments held as available for sale	Total shareholders' equity
				Legal reserve	Unappropriated		
				(Baht)			
Year ended 31 December 2017							
Balance at 1 January 2017		346,400,000	-	22,200,000	261,518,766	462,492	630,581,258
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners of the parent							
Issue of ordinary shares	16	118,600,000	297,618,600	-	-	-	416,218,600
Dividends to owners of the Company	25	-	-	-	(235,967,680)	-	(235,967,680)
Total contributions by and distributions to owners of the parent		118,600,000	297,618,600	-	(235,967,680)	-	180,250,920
Comprehensive income for the year							
Profit		-	-	-	73,920,065	-	73,920,065
Other comprehensive income		-	-	-	730,032	442,246	1,172,278
Total comprehensive income for the year		-	-	-	74,650,097	442,246	75,092,343
Transfer to legal reserve	17	-	-	3,800,000	(3,800,000)	-	-
Balance at 31 December 2017		465,000,000	297,618,600	26,000,000	96,401,183	904,738	885,924,521



The accompanying notes are an integral part of these financial statements.  
USUN AINA UENUEY SAKOL ENERGY PUBLIC COMPANY LIMITED

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**Sakol Energy Public Company Limited and its subsidiaries**  
**Statement of changes in equity**

	Separate financial statements				Other components of shareholders' equity	Total shareholders' equity	
	Issued and paid share capital	Share premium	Retained earnings				Investments held as available for sale
			Legal reserve	Unappropriated			
	(Baht)						
Year ended 31 December 2016							
Balance at 1 January 2016	346,400,000	-	16,000,000	144,270,302	-	506,670,302	
Comprehensive income for the year							
Profit	-	-	-	122,834,490	-	122,834,490	
Other comprehensive income	-	-	-	-	226,453	226,453	
Total comprehensive income for the year	-	-	-	122,834,490	226,453	123,060,943	
Transfer to legal reserve	-	-	6,200,000	(6,200,000)	-	-	
Balance at 31 December 2016	346,400,000	-	22,200,000	260,904,792	226,453	629,731,245	

17, 25



บริษัท สกอล เอเนอร์จี้ จำกัด (มหาชน)

The accompanying notes are an integral part of these financial statements

**Sakol Energy Public Company Limited and its subsidiaries**  
**Statement of changes in equity**

Separate financial statements						
	Issued and paid share capital	Share premium	Retained earnings	Investments	Other components of shareholders' equity	Total shareholders' equity
			Legal reserve	Unappropriated	held as available for sale	
			<i>(Bait)</i>			
<b>Year ended 31 December 2017</b>						
Balance at 1 January 2017	346,400,000	-	22,200,000	260,904,792	226,453	629,731,245
<b>Transactions with owners, recorded directly in equity</b>						
<b>Contributions by and distributions to owners of the company</b>						
Issue of ordinary shares	118,600,000	297,618,600	-	-	-	416,218,600
Dividends to owners of the Company	-	-	-	(235,967,680)	-	(235,967,680)
<b>Total contributions by and distributions to owners of the company</b>	118,600,000	297,618,600	-	(235,967,680)	-	180,250,920
<b>Comprehensive income for the year</b>						
Profit	-	-	-	73,770,302	-	73,770,302
Other comprehensive income	-	-	-	730,032	129,231	859,263
<b>Total comprehensive income for the year</b>	-	-	-	74,500,334	129,231	74,629,565
Transfer to legal reserve	-	-	3,800,000	(3,800,000)	-	-
<b>Balance at 31 December 2017</b>	465,000,000	297,618,600	26,000,000	95,637,446	355,684	884,611,730

**บริษัท สากล เอนเนอจี้ จำกัด (มหาชน)**  
The accompanying notes are an integral part of these financial statements.





## Sakol Energy Public Company Limited and its subsidiaries

### Statement of cash flows

		Consolidated financial statements		Separate financial statements	
		Year ended 31 December		Year ended 31 December	
	Note	2017	2016	2017	2016
		(Baht)			
<i>Cash flows from operating activities</i>					
Profit for the year		73,920,065	127,641,920	73,770,302	122,834,490
Profit for the year from discontinued operation	9	-	(2,057,322)	-	-
Profit for the year from continuing operations		73,920,065	125,584,598	73,770,302	122,834,490
<i>Adjustments to reconcile profit to cash receipts (payment)</i>					
Tax expense (income)	22	55,117	308,922	55,117	(17,003)
Finance costs		8,345,547	4,114,151	8,345,547	4,114,151
Depreciation and amortization	21	5,726,105	5,864,607	5,726,105	5,864,607
Loss from liquidation of subsidiary		-	-	-	666,297
Gain on disposal of money fund	6	(776,041)	(475,815)	(772,770)	(458,306)
(Gain) losses on disposal of property and equipment		220,923	(5,242,687)	220,923	1,313,841
Employee benefit obligations		603,376	338,454	603,376	338,454
Interest income		(104,908)	(52,267)	(103,759)	(49,166)
		87,990,184	130,439,963	87,844,841	134,607,365
<i>Changes in operating assets and liabilities</i>					
Trade account receivable		65,487,202	(49,934,381)	65,487,202	(49,934,381)
Other current receivables		(133,090)	(2,369,713)	(203,082)	(213,089)
Financial lease receivable		14,474,505	5,227,862	14,474,505	5,227,862
Spare parts and supplies		(543,188)	(550,865)	(543,188)	(550,865)
Other non-current assets		(982,316)	-	(982,316)	-
Trade accounts payable		(2,687,551)	(12,557,135)	(2,687,551)	(12,557,135)
Other current payables		1,075,847	4,313,672	855,355	4,402,655
Provisions for non-current liability		1,090,000	-	1,090,000	-
Employee benefit paid		(249,930)	-	(249,930)	-
Net cash generated from operating		165,521,663	74,569,403	165,085,836	80,982,412
Taxes paid		(417,043)	(340,454)	(364,539)	(24,519)
Net cash from operating activities		165,104,620	74,228,949	164,721,297	80,957,893



บริษัท สากล เอนเนอร์ยี่ จำกัด (มหาชน)  
SAKOL ENERGY PUBLIC COMPANY LIMITED

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

# Sakol Energy Public Company Limited and its subsidiaries

## Statement of cash flows

		Consolidated financial statements		Separate financial statements	
		Year ended 31 December		Year ended 31 December	
	Note	2017	2015	2017	2015
		(Baht)			
<b>Cash flows from investing activities</b>					
Proceeds from sale of money fund	6	527,550,000	283,328,413	527,300,000	279,376,700
Acquisition of money fund	6	(854,960,000)	(372,700,000)	(854,460,000)	(344,200,000)
Cash received from capital return of subsidiary	9	-	-	-	4,083,628
Proceeds from sale of property and equipment		183	32,192,732	183	888,094
Acquisition of building and equipment		(20,219,687)	(2,896,682)	(20,219,687)	(2,896,682)
Acquisition of intangible asset		(620,860)	(3,038,652)	(620,860)	(3,038,652)
Net cash from discontinued operation	9	-	4,083,628	-	0
Interest received		104,908	52,267	103,759	49,166
<b>Net cash used in investing activities</b>		<b>(348,145,456)</b>	<b>(58,978,294)</b>	<b>(347,896,605)</b>	<b>(65,737,746)</b>
<b>Cash flows from financing activities</b>					
Proceeds from issue of shares	16	416,218,600	-	416,218,600	-
Proceeds from short-term borrowings					
from financial institutions		250,000,000	-	250,000,000	-
Repayment of short-term borrowings					
from financial institutions		(210,000,000)	-	(210,000,000)	-
Repayment of long-term borrowings					
from financial institution		(14,043,122)	(13,515,284)	(14,043,122)	(13,515,284)
Payment by a lessee for reduction of the					
outstanding liabilities relating to finance lease					
and hire purchase liabilities		(1,622,495)	(1,568,674)	(1,622,495)	(1,568,674)
Dividends paid to owners of the Company	25	(235,967,680)	-	(235,967,680)	-
Interest paid		(8,326,887)	(4,220,023)	(8,326,887)	(4,220,023)
<b>Net cash from (used in) financing activities</b>		<b>196,258,416</b>	<b>(19,303,981)</b>	<b>196,258,416</b>	<b>(19,303,981)</b>
<b>Net increase (decrease) in cash and</b>					
<b>cash equivalents</b>		<b>13,217,580</b>	<b>(4,053,326)</b>	<b>13,083,108</b>	<b>(4,083,834)</b>
Cash and cash equivalents at 1 January		8,567,267	12,620,593	8,477,762	12,561,596
<b>Cash and cash equivalents at 31 December</b>	5	<b>21,784,847</b>	<b>8,567,267</b>	<b>21,560,870</b>	<b>8,477,762</b>



บริษัท สากล เอนเนอร์ยี่ จำกัด (มหาชน)  
SAKOL ENERGY PUBLIC COMPANY LIMITED

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



**Sakol Energy Public Company Limited and its subsidiaries**  
**Notes to the financial statements**  
**For the year ended 31 December 2017**

**Note Contents**

1	General information
2	Basis of preparation of the financial statements
3	Significant accounting policies
4	Related parties
5	Cash and cash equivalents
6	Current investments
7	Trade account receivable
8	Financial lease receivable
9	Discontinued operation
10	Investments in subsidiaries
11	Investment properties
12	Property, plant and equipment
13	Interest bearing liabilities
14	Other current payables
15	Deferred tax liabilities
16	Share capital
17	Reserves
18	Segment information
19	Employee benefit expenses
20	Operating leases
21	Expenses by nature
22	Income tax
23	Promotional privileges
24	Basic earnings per share
25	Dividends
26	Financial instruments
27	Commitments with non-related parties
28	Events after the reporting period



บริษัท สากล เอนเนอจี้ จำกัด (มหาชน)  
 SAKOL ENERGY PUBLIC COMPANY LIMITED

## Sakol Energy Public Company Limited and its subsidiaries

### Notes to the financial statements

#### For the year ended 31 December 2017

These notes form an integral part of the financial statements.

The financial statements issued for Thai statutory and regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from the Thai language statutory financial statements, and were approved and authorized for issue by the Board of Directors on 23 February 2018.

## 1 General Information

Sakol Energy Public Company Limited, the “Company”, is incorporated in Thailand and has its registered head office and branches as follow:

Head office: 15 Moo 1 Chiang Rak Noi, Samkhok Pathumthani 12160

Branch 1: 168 Moo 4 Tha Maprang, Kaeng Khoi Saraburi 18110

Branch 2: 252/108(B) and 252/109(C) Muang Thai-Phatra Complex Building, 21<sup>st</sup> Floor, Ratchadaphisek Road, Huai Khwang Bangkok 10310

On 23 March 2017, the Company registered a change of list of shareholders’ names to the Department of Business Development, Ministry of Commerce from Transuwan Company Limited (72% shareholding) and Thai Alternative Energy Group Company Limited (28% shareholding) to the individual shareholders in Sumetchotimetha Family (72% shareholding) and Nuntee Family (28% shareholding).

Subsequently on 22 November 2017, the Company offered its ordinary shares to public in the number of 237.20 million shares or 25.51 % of authorised share capital.

The Company was listed on the Stock Exchange of Thailand in November 2017.

The Company’s major shareholders as at 31 December 2017 were Sumetchotimetha Family (54% shareholding) and Nuntee Family (21% shareholding).

The principle activity of the Company is compression of natural gas to PTT Public Company Limited. The Group operates in energy industry. Details of the Company’s subsidiaries as at 31 December 2017 and 2016 are given in notes 4 and 10.

## 2 Basis of preparation of the financial statements

### (a) Statement of compliance

The financial statements are prepared in accordance with Thai Financial Reporting Standards (TFRS) and guidelines promulgated by the Federation of Accounting Professions (“FAP”); and applicable rules and regulations of the Thai Securities and Exchange Commission.

The FAP has issued new and revised TFRS effective for annual accounting periods beginning on or after 1 January 2017. The initial application of these new and revised TFRS has resulted in changes in certain of the Group’s accounting policies. These changes have no material effect on the financial statements.

In addition to the above new and revised TFRS, the FAP has issued a number of other new and revised TFRS which are effective for annual financial periods beginning on or after 1 January 2017 and have not been adopted in the preparation of these financial statements.



## Sakol Energy Public Company Limited and its subsidiaries

### Notes to the financial statements

#### For the year ended 31 December 2017

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

#### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following items.

Items	Measurement bases
Available-for-sale financial investments	Fair value
Defined benefit liability	Present value of the defined benefit obligation as explained in note 3 (n)

#### (c) Functional and presentation currency

The financial statements are presented in Thai Baht, which is the Company's functional currency. All financial information presented in Thai Baht has been rounded in the notes to the financial statements to the nearest thousand unless otherwise stated.

#### (d) Use of judgements and estimates

The preparation of financial statements in conformity with TFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

##### (i) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is included in note 3 (e) Financial lease receivable.

##### (ii) Assumptions and estimation uncertainties

##### Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group's has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements and reports directly to the chief financial officer.

The valuation team 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 team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of TFRS, including the level in the fair value hierarchy in which the valuations should be classified.



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SAKOL ENERGY PUBLIC COMPANY LIMITED

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## Sakol Energy Public Company Limited and its subsidiaries

### Notes to the financial statements

#### For the year ended 31 December 2017

Significant valuation issues are reported to the Group's Audit Committee.

When measuring the fair value of an asset or a liability, the Group uses market observable market data as far 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.
- *Level 2*: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3*: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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.

Further information about the assumptions made in measuring fair values is included in note are as follow:

- Note 11 Investment property
- Note 26 Financial instruments

### 3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

#### (a) Basis of consolidation

The consolidated financial statements relate to the Company and its subsidiaries (together referred to as the "Group")

##### *Subsidiaries*

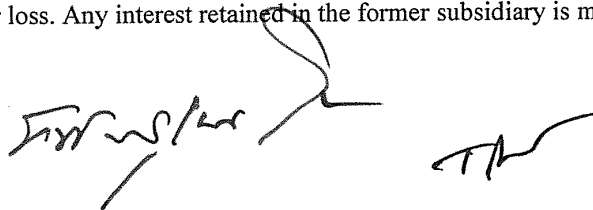
Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included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

##### *Loss of control*

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.



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SAKOL ENERGY PUBLIC COMPANY LIMITED





## Sakol Energy Public Company Limited and its subsidiaries

### Notes to the financial statements

#### For the year ended 31 December 2017

#### *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealized income or expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

#### **(b) Foreign currencies**

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date.

Non-monetary assets and liabilities measured at cost in foreign currencies are translated to the functional currency at the exchange rates at the dates of the transactions.

#### **(c) Cash and cash equivalents**

Cash and cash equivalents in the statements of cash flows comprise cash balances, call deposits and highly liquid short-term investments. Bank overdrafts that are repayable on demand are a component of financing activities for the purpose of the statement of cash flows.

#### **(d) Trade account receivable and other current receivable**

Trade account receivable and other current receivable are stated at their invoice value less allowance for doubtful accounts.

The allowance for doubtful accounts is assessed primarily on analysis of payment histories and future expectations of customer payments. Bad debts are written off when incurred.

#### **(e) Financial lease receivable**

Finance lease receivable is stated outstanding balance net of unearned interest income less allowance for doubtful accounts.

The Group determines whether an arrangement that does not take the legal form of a lease, convey right to control the use of underlying asset during the arrangement period in return of a payment or series of payments. The underlying asset is a specific asset that is subject for a lease arrangement.

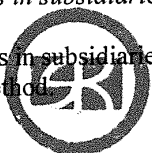
#### **(f) Spare parts and supplies**

Spare parts and supplies are measured at cost. Cost of spare parts and supplies is calculated using the first in first out principle.

#### **(g) Investments**

##### *Investments in subsidiaries*

Investments in subsidiaries in the separate financial statements of the Company are accounted for using the cost method.



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SAKOL ENERGY PUBLIC COMPANY LIMITED

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**Sakol Energy Public Company Limited and its subsidiaries**  
**Notes to the financial statements**  
**For the year ended 31 December 2017**

*Investments in debt and equity securities*

Debt securities and marketable equity securities, which are not the securities held for trading or intended to be held to maturity, are classified as available-for-sale investments. Available-for-sale investments are, subsequent to initial recognition, stated at fair value, and changes therein, other than impairment losses, are recognized directly in equity. Impairment losses are recognised in profit or loss. When these investments are derecognized, the cumulative gain or loss previously recognized directly in equity is recognized in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognized in profit or loss.

Equity securities which are not marketable are stated at cost less any impairment losses.

The fair value of financial instruments classified as available-for-sale is determined as the quoted bid price at the reporting date.

*Disposal of investments*

On disposal of an investment, the difference between net disposal proceeds and the carrying amount together with the associated cumulative gain or loss that was reported in equity is recognized in profit or loss.

If the Group disposes of part of its holding of a particular investment, the deemed cost of the part sold is determined using the weighted average method applied to the carrying value of the total holding of the investment.

**(h) Investment properties**

Investment properties are properties which are held to earn rental income, for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, and other costs directly attributable to bringing the investment property to a working condition for its intended use and capitalized borrowing costs.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each property. No depreciation is provided on freehold land categorized as investment properties.

**(i) Property, plant and equipment**

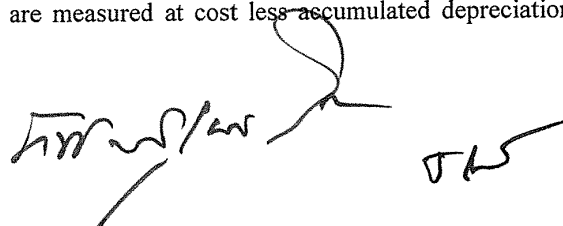
*Recognition and measurement*

*Owned assets*

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.



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SAKOL ENERGY PUBLIC COMPANY LIMITED





## Sakol Energy Public Company Limited and its subsidiaries

### Notes to the financial statements

#### For the year ended 31 December 2017

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized in profit or loss.

#### *Leased assets*

Leases in terms of which the Group substantially assumes all the risk and rewards of ownership are classified as finance leases. Equipment acquired by way of finance leases is capitalized at the lower of its fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the profit or loss.

#### *Subsequent costs*

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

#### *Depreciation*

Depreciation is calculated based on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. The estimated useful lives are as follows:

Buildings and constructions	10 - 20	years
Machinery and equipment	10 - 20	years
Electrical system	10	years
Tools	5	years
Furniture, fixtures and office equipment	Lease term and 5	years
Vehicles	5	years

No depreciation is provided on freehold land or assets under construction.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

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SAKOL ENERGY PUBLIC COMPANY LIMITED

**Sakol Energy Public Company Limited and its subsidiaries**  
**Notes to the financial statements**  
**For the year ended 31 December 2017**

**(j) Intangible asset**

Intangible asset that is acquired by the Group and has finite useful life is measured at cost less accumulated amortization and accumulated impairment losses.

*Subsequent expenditure*

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates.

*Amortization*

Amortization is based on the cost of the asset, or other amount substituted for cost, less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful life of intangible asset from the date that it is available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life for the current and comparative periods are as follows:

Software licenses and computer program	5 years
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Amortization method, useful life and residual value are reviewed at each financial year-end and adjusted if appropriate. No amortization is provided on software licenses under installation.

**(k) Impairment**

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. For intangible assets that have indefinite useful lives or are not yet available for use, the recoverable amount is estimated each year at the same time.

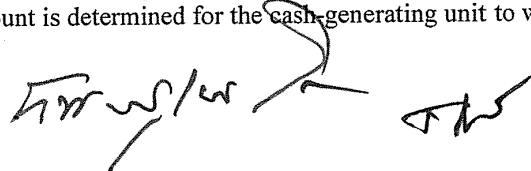
An impairment loss is recognized if the carrying amount of an asset or its cash-generating exceeds its recoverable amount. The impairment loss is recognized in profit or loss unless it reverses a previous revaluation credited to equity, in which case it is charged to equity.

When a decline in the fair value of an available-for-sale financial asset has been recognized directly in equity and there is objective evidence that the value of the asset is impaired, the cumulative loss that had been recognized directly in equity is recognized in profit or loss even though the financial asset has not been derecognized. The amount of the cumulative loss that is recognized in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss.

*Calculation of recoverable amount*

The recoverable amount of available-for-sale financial assets is calculated by reference to the fair value.

The recoverable amount of a non-financial asset is the greater of the asset's value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.







## Sakol Energy Public Company Limited and its subsidiaries

### Notes to the financial statements

#### For the year ended 31 December 2017

##### *Reversals of impairment*

An impairment loss in respect of a financial asset is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized in profit or loss. For financial assets carried at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognized in other comprehensive income.

Impairment losses recognized in prior periods in respect of non-financial assets are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

##### *(l) Interest-bearing liabilities*

Interest-bearing liabilities are recognized initially at cost.

##### *(m) Trade accounts payable and other current payable*

Trade accounts payable and other current payable are stated at cost.

##### *(n) Employee benefits*

###### *Defined contribution plans*

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

###### *Defined benefit plans*

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any application minimum funding requirements.

Remeasurements of the net defined benefit liability, actuarial gain or loss are recognized immediately in OCI. The Group determines the interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

###### *Termination benefits*

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

**Sakol Energy Public Company Limited and its subsidiaries**  
**Notes to the financial statements**  
**For the year ended 31 December 2017**

*Short-term employee benefits*

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

**(o) Provisions**

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance cost.

**(p) Revenue**

Revenue excludes value added taxes and is arrived at after deduction of trade discounts.

*Rendering of services*

Revenue from rendering of services are recognized as services are provided.

*Revenue from financial leases*

The Company recognizes revenue from finance leases using the effective interest method.

*Rental income*

Rental income from investment property is recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income. Contingent rentals are recognized as income in the accounting period in which they are earned.

*Interest income and other income*

Interest income and other income are recognized in profit or loss as they accrue.

**(q) Finance costs**

Interest expenses and similar costs are charged to profit or loss for the period in which they are incurred, except to the extent that they are capitalized as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial year of time to be prepared for its intended use or sale.

**(r) Lease payments**

Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.





## Sakol Energy Public Company Limited and its subsidiaries

### Notes to the financial statements

#### For the year ended 31 December 2017

#### *Determining whether an arrangement contains a lease*

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

#### (s) *Income tax*

Income tax expense for the year comprises current and deferred tax. Current and deferred tax are recognized in profit or loss except to the extent that they relate to items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized.



**Sakol Energy Public Company Limited and its subsidiaries**  
**Notes to the financial statements**  
**For the year ended 31 December 2017**

**(t) Discontinued operations**

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of income is restated as if the operation had been discontinued from the start of the comparative period.

**(u) Earnings per share**

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

**(v) Segment reporting**

Segment results that are reported to the Group's CEO (the chief operating decision maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

**4 Related parties**

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Relationships with subsidiaries, key management and other related parties were as follows:

Name of entities	Country of incorporation	Nature of relationships
Key management personnel	Thailand	Persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the Group.
SK15 Company Limited	Thailand	Subsidiary with ownership of 99.99% and common directors
Sakol Energy Biomass Power 15 Company Limited	Thailand	Subsidiary with ownership of 99.99% and common directors
PTC Holding Company Limited	Thailand	Common directors and directors hold all shares
Transuwan Company Limited	Thailand	Common directors and directors hold substantial shares
Thai Biogas Technology Company Limited	Thailand	Common directors and directors hold substantial shares
T. Line Transport Company Limited	Thailand	Common directors and directors hold substantial shares
Tranthanakom Company Limited	Thailand	Common directors and directors hold substantial shares
N15 Technology Company Limited	Thailand	Common directors and directors hold substantial shares



## Sakol Energy Public Company Limited and its subsidiaries

### Notes to the financial statements

For the year ended 31 December 2017

Name of entities	Country of incorporation	Nature of relationships
CSK Waste Recycling Company Limited	Thailand	Common directors and directors hold substantial shares
CSK Inventory Services Company Limited	Thailand	Common directors and directors hold substantial shares
Trans Energy Company Limited	Thailand	Common directors and directors hold substantial shares
Thai Alternative Energy Group Company Limited	Thailand	Common directors

The pricing policies for transactions with related parties are explained further below:

Transactions	Pricing policies
Utility income	Contractual rates
Rental expense	Contractual rates

Significant transactions for the years ended 31 December with related parties were as follows:

Year ended 31 December	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
	(in thousand Baht)			
<b>Key management personnel</b>				
Short-term employee benefits	14,420	14,403	14,420	14,403
Post-employment benefits	46	84	46	84
<b>Total key management personnel compensation</b>	<b>14,466</b>	<b>14,487</b>	<b>14,466</b>	<b>14,487</b>
<b>Other related parties</b>				
Utility income	213	193	213	193
Rental expense	2,539	1,123	2,539	1,123

Balances as at 31 December with related parties were as follows:

Other current receivables from related party	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
	(in thousand Baht)			
<b>Other related party</b>				
Transuwan Company Limited	30	32	30	32

#### Guarantees

As at 31 December 2017, some directors of the Group and the Company had guaranteed for credit facilities totaling Baht 326 million (31 December 2016: Baht 201 million) granted by commercial banks to the Group and the Company and guaranteed for finance lease liabilities without any fees.



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**Sakol Energy Public Company Limited and its subsidiaries**  
**Notes to the financial statements**  
**For the year ended 31 December 2017**

**5 Cash and cash equivalents**

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
Cash on hand	329	339	325	335
Cash at banks - current account	64	71	64	71
Cash at banks - savings accounts	21,392	8,157	21,172	8,072
<b>Cash and cash equivalents</b>	<b>21,785</b>	<b>8,567</b>	<b>21,561</b>	<b>8,478</b>

**6 Current investments**

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
Money fund	<b>425,398</b>	<b>96,770</b>	<b>393,570</b>	<b>65,508</b>

Movements during the years ended 31 December of money fund were as follows:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
At 1 January	96,770	6,529	65,508	-
Purchases during the year	854,960	372,700	854,460	344,200
Sales during the year	(526,774)	(282,853)	(526,527)	(278,918)
Valuation adjustment	442	394	129	226
<b>At 31 December</b>	<b>425,398</b>	<b>96,770</b>	<b>393,570</b>	<b>65,508</b>

**7 Trade account receivable**

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
Other party - current	<b>57,266</b>	<b>122,753</b>	<b>57,266</b>	<b>122,753</b>

Aging analyses for trade accounts receivable were as follows:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
Within credit terms	57,266	60,973	57,266	60,973
Overdue:				
Less than 3 months	-	61,780	-	61,780
<b>Total</b>	<b>57,266</b>	<b>122,753</b>	<b>57,266</b>	<b>122,753</b>

The normal credit term granted by the Group is 30 days.



**Sakol Energy Public Company Limited and its subsidiaries**  
Notes to the financial statements  
For the year ended 31 December 2017

**8 Financial lease receivable**

	Consolidated/ Separate financial statements					
	Within one year		After one year		Total	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Financial lease receivable	37,321	41,557	126,690	126,690	164,011	168,247
Less deferred interest income	(20,618)	(21,434)	(72,664)	(76,782)	(93,282)	(98,216)
<b>Net</b>	<b>16,703</b>	<b>20,123</b>	<b>54,026</b>	<b>49,908</b>	<b>103,952</b>	<b>70,031</b>
			<i>(in thousand Baht)</i>			
			2017	2016	2017	2016
			222,522	254,194	386,533	422,441
			(65,941)	(82,440)	(159,223)	(180,656)
			<b>156,581</b>	<b>171,754</b>	<b>227,310</b>	<b>241,785</b>

The Company entered into two natural gas compression contracts with PTT Public Company Limited (PTT) to provide gas storage trailers natural gas compression service to PTT. The Company must comply with the conditions stipulated in the contracts for a period of 20 years, expiring in March 2029 and October 2030, respectively. These contracts have met the conditions for arrangements which contain leases, according to TFRIC Interpretation 4.



บริษัท สาคอล เอนเนอจี้ จำกัด (มหาชน)  
SAKOL ENERGY PUBLIC COMPANY LIMITED

## Sakol Energy Public Company Limited and its subsidiaries

### Notes to the financial statements

### For the year ended 31 December 2017

#### 9 Discontinued operation

At the extraordinary meeting of the shareholders of Sakol Biomass Power Company Limited which was a subsidiary of the Company and operated its principal business in production and distribution of electricity, held on 29 July 2016, the shareholders approved resolution liquidating the entity. Hence, the Group classified the operating results of the Sakol Biomass Power Company Limited as discontinued operation for the year ended 31 December 2016. The comparative statement of comprehensive income has been re-presented to show the discontinued operation separately from continuing operations. The liquidation registration was applied on the same day that the shareholders approved for liquidation. The liquidation was completed on 14 December 2016.

	<b>Consolidated financial statements</b> Year ended 31 December 2016 (in thousand Baht)
<b>Results of discontinued operation</b>	
Income	2,556
Expenses	(499)
<b>Results from operating activities</b>	<b>2,057</b>
Income tax	-
<b>Profit for the year</b>	<b>2,057</b>
Basic earnings per share (in Baht)	0.003

The profit from discontinued operation of Baht 2.06 million was attributable entirely to the owners of the Company.

	<b>Consolidated financial statements</b> Year ended 31 December 2016 (in thousand Baht)
<b>Cash flows from discontinued operation</b>	
Net cash from operating activities	2,026
Net cash from investing activities	2,057
<b>Net cash from discontinued operation</b>	<b>4,083</b>

#### 10 Investments in subsidiaries

	<b>Separate financial statements</b> 2017 2016 (in thousand Baht)
At 1 January	201,999      206,749
Disposals	-      (4,750)
<b>At 31 December</b>	<b>201,999      201,999</b>

#### Liquidation of Sakol Biomass Power Company Limited

As explained in note 9, Sakol Biomass Power Company Limited which was a subsidiary of the Company registered liquidation on 29 July 2016 and the liquidation was completed on 14 December 2016.



**Sakol Energy Public Company Limited and its subsidiaries**  
Notes to the financial statements  
For the year ended 31 December 2017

Investments in subsidiaries as at 31 December 2017 and 2016 and dividend income from those investments for the years then ended, were as follows:

	Type of business	Ownership interest (%)	Separate financial statements				Dividend income	
			Paid-up capital		Cost		2017	2016
			2017	2016	2017	2016	(in thousand Baht)	
<b>Subsidiaries</b>								
SK15 Company Limited	Rental of property	99.99	99.99	140,000	140,000	140,000	-	-
Sakol Energy Biomass Power 15 Company Limited	Production and distribution of electricity	99.99	99.99	61,999	61,999	61,999	-	-
<b>Total</b>			<b>201,999</b>	<b>201,999</b>	<b>201,999</b>	<b>201,999</b>		

Both subsidiaries were incorporated in Thailand.

The Company has no investments in subsidiaries registered in the Stock Exchange so there are no published price quotations to be disclosed.



บริษัท สากล เอนเนอจี้ จำกัด (มหาชน)  
SAKOL ENERGY PUBLIC COMPANY LIMITED

**Sakol Energy Public Company Limited and its subsidiaries**  
**Notes to the financial statements**  
**For the year ended 31 December 2017**

**11 Investment properties**

		Consolidated financial statements		Separate financial statements	
	Note	2017	2016	2017	2016
			(in thousand Baht)		
At 1 January		12,122	-	-	-
Reclassification from property, plant and equipment	12	159,496	12,122	-	-
<b>At 31 December</b>		<b>171,618</b>	<b>12,122</b>	<b>-</b>	<b>-</b>

The fair value of investment properties as at 31 December 2017 of Baht 176.89 million (2016: Baht 12.52 million) was determined by Ktac Appraisal and Service Company Limited and Grow Estimation Company Limited, independent professional valuers approved by the Securities and Exchange Commission, at open market value on an existing use basis. The fair value measurement for investment property has been categorized as a Level 2 fair value.

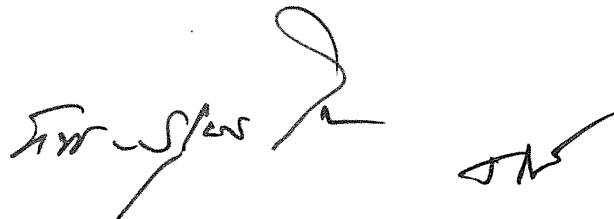
Investment properties comprise a commercial property that is leased to a third party. The lease contains an initial non-cancellable period of two years. Subsequent renewal is negotiated with the lessee. Other investment properties were the properties that the Group has not used for operation.

*Security*

At 31 December 2017, the Group has mortgaged investment properties of Baht 100.98 million (2016: Nil) as collateral against long-term borrowings from financial institution, as described in note 13.



บริษัท สากล เอนเนอจี้ จำกัด (มหาชน)  
SAKOL ENERGY PUBLIC COMPANY LIMITED





**Sakol Energy Public Company Limited and its subsidiaries**  
**Notes to the financial statements**  
**For the year ended 31 December 2017**

## 12 Property, plant, and equipment

Consolidated financial statements							
	Land	Buildings and constructions	Machinery and equipment	Electrical System	Tools and office equipment	Vehicles	Assets under construction
					(in thousand Baht)		Total
<b>Cost</b>							
At 1 January 2016	275,000	7,954	20,897	270	2,237	11,206	106
Additions	-	183	174	364	123	1,181	872
Disposal	(24,748)	-	-	-	(41)	(169)	(40)
Transfer to investment Property	(12,122)	-	-	-	-	-	-
<b>At 31 December 2016 and 1 January 2017</b>	<b>238,130</b>	<b>8,137</b>	<b>21,071</b>	<b>634</b>	<b>2,319</b>	<b>12,218</b>	<b>938</b>
Additions	-	-	202	-	93	2,844	17,081
Disposal	-	-	(120)	-	(93)	(4,130)	(131)
Transfer	-	92	2,449	1,587	-	6,546	(10,674)
Transfer to investment Property	(159,496)	-	-	-	-	-	-
<b>At 31 December 2017</b>	<b>78,634</b>	<b>8,229</b>	<b>23,602</b>	<b>2,221</b>	<b>2,319</b>	<b>17,478</b>	<b>7,214</b>
<b>Depreciation</b>							
At 1 January 2016	-	1,718	3,350	52	1,653	8,910	-
Depreciation charge for the year	-	401	1,050	44	293	1,139	-
Disposal	-	-	-	-	(40)	(167)	-
<b>At 31 December 2016 and 1 January 2017</b>	<b>-</b>	<b>2,119</b>	<b>4,400</b>	<b>96</b>	<b>1,906</b>	<b>9,882</b>	<b>-</b>
Depreciation charge for the year	-	417	1,203	143	181	1,019	-
Disposal	-	-	(31)	-	(92)	(4,130)	-
<b>At 31 December 2017</b>	<b>-</b>	<b>2,536</b>	<b>5,572</b>	<b>239</b>	<b>1,995</b>	<b>6,771</b>	<b>-</b>
<b>At 31 December 2017</b>	<b>-</b>	<b>2,536</b>	<b>5,572</b>	<b>239</b>	<b>1,995</b>	<b>6,771</b>	<b>27,424</b>

บริษัท สากล เอนเนอร์ยี่ จำกัด (มหาชน)

**Sakol Energy Public Company Limited and its subsidiaries**  
**Notes to the financial statements**  
**For the year ended 31 December 2017**

	Consolidated financial statements						
	Land	Buildings and constructions	Machinery and equipment	Electrical System	Tools and office equipment	Vehicles	Assets under construction
							Total
<b>Net book value</b>							
<b>At 1 January 2016</b>							
Owned assets	275,000	6,236	17,547	218	584	5,385	307,372
Assets under finance leases	-	-	-	-	-	8,010	8,010
	<b>275,000</b>	<b>6,236</b>	<b>17,547</b>	<b>218</b>	<b>584</b>	<b>13,395</b>	<b>315,382</b>
<b>At 31 December 2016 and 1 January 2017</b>							
Owned assets	238,130	6,018	16,671	538	413	2,333	267,377
Assets under finance leases	-	-	-	-	-	6,042	6,042
	<b>238,130</b>	<b>6,018</b>	<b>16,671</b>	<b>538</b>	<b>413</b>	<b>8,375</b>	<b>273,419</b>
<b>At 31 December 2017</b>							
Owned assets	78,634	5,693	18,030	1,982	324	934	123,518
Assets under finance leases	-	-	-	-	-	4,792	4,792
	<b>78,634</b>	<b>5,693</b>	<b>18,030</b>	<b>1,982</b>	<b>324</b>	<b>5,726</b>	<b>128,310</b>



บริษัท สากล เอนเมอวี่ จำกัด (มหาชน)  
SAGOL ENMOVEE COMPANY LIMITED

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24



**Sakol Energy Public Company Limited and its subsidiaries**  
Notes to the financial statements  
For the year ended 31 December 2017

	Separate financial statements						
	Land	Buildings and constructions	Machinery and equipment	Electrical System	Tools and office equipment	Vehicles	Assets under construction
					(in thousand Baht)		Total
<b>Cost</b>							
At 1 January 2016	78,634	7,954	20,897	270	2,237	19,196	140,500
Additions	-	183	174	364	123	-	2,897
Transfers	-	-	-	-	(41)	(3,159)	(3,409)
<b>At 31 December 2016 and 1 January 2017</b>	<b>78,634</b>	<b>8,137</b>	<b>21,071</b>	<b>634</b>	<b>2,319</b>	<b>16,037</b>	<b>139,988</b>
Additions	-	-	202	-	93	-	20,220
Disposal	-	-	(120)	-	(93)	-	(4,474)
Transfer	-	92	2,449	1,587	-	-	-
<b>At 31 December 2017</b>	<b>78,634</b>	<b>8,229</b>	<b>23,602</b>	<b>2,221</b>	<b>2,319</b>	<b>16,037</b>	<b>155,734</b>
<b>Depreciation</b>							
At 1 January 2016	-	1,718	3,350	52	1,653	5,801	21,484
Depreciation charge for the year	-	401	1,050	44	293	2,861	5,788
Disposal	-	-	-	-	(40)	(1,000)	(1,207)
<b>At 31 December 2016 and 1 January 2017</b>	<b>-</b>	<b>2,119</b>	<b>4,400</b>	<b>96</b>	<b>1,906</b>	<b>7,662</b>	<b>26,065</b>
Depreciation charge for the year	-	417	1,203	143	181	2,649	5,612
Disposal	-	-	(31)	-	(92)	-	(4,253)
<b>At 31 December 2017</b>	<b>-</b>	<b>2,536</b>	<b>5,572</b>	<b>239</b>	<b>1,995</b>	<b>10,311</b>	<b>27,424</b>



บริษัท สกอล เอเนจี้ จำกัด (มหาชน)  
SAKOL ENERGY PUBLIC COMPANY LIMITED

# Sakol Energy Public Company Limited and its subsidiaries

## Notes to the financial statements

**For the year ended 31 December 2017**

	Separate financial statements								
	Land	Buildings and constructions	Machinery and equipment	Electrical System	Tools	Furniture, fixtures and office equipment	Vehicles	Assets under construction	Total

The gross amount of the Group's and the Company's fully depreciated plant and equipment that was still in use as at 31 December 2017 amounted to Baht 9.74 million (2016: Baht 10.94 million).

## Security

At 31 December 2017, the Group and the Company have mortgaged assets approximately Baht 66.55 million (2016: Baht 162.49 million and Baht 61.50 million), respectively as collateral against long-term borrowings from financial institutions, as described in note 13.



บริษัท สากล เอนเนอร์ยี่ จำกัด (มหาชน)  
SANGKHO PUBLIC COMPANY LIMITED

10/25/2017



## Sakol Energy Public Company Limited and its subsidiaries

### Notes to the financial statements

### For the year ended 31 December 2017

#### *Transfer to investment property*

During 2016, the Group's land was transferred to investment property, because the Group decided that the land would be leased to a third party.

During 2017, the Group's land was transferred to investment property, because currently it has not been used for operation by subsidiaries.

#### *Sales of land*

On 10 February 2016, a subsidiary had entered into a land sale agreement with a company amounting to Baht 31.3 million and recognized of a gain of Baht 6.56 million. The land ownership was transferred on 26 May 2016.

### 13 Interest-bearing liabilities

	<b>Consolidated / Separate financial statements</b>	
	2017	2016
	<i>(in thousand Baht)</i>	
<b>Current</b>		
Short-term borrowings from financial institution	40,000	-
- Secured		
Current portion of long-term borrowings from financial institution		
- Secured	14,680	14,043
Current portion of financial lease and hire purchase liabilities	1,076	1,622
<b>Total current interest-bearing liabilities</b>	<b>55,756</b>	<b>15,665</b>
<b>Non-current</b>		
Long-term borrowings from financial institution		
- Secured	41,568	56,248
Financial lease and hire purchase liabilities	1,510	2,586
<b>Total non-current interest-bearing liabilities</b>	<b>43,078</b>	<b>58,834</b>
<b>Total interest bearing liabilities</b>	<b>98,834</b>	<b>74,499</b>

The periods to maturity of interest-bearing liabilities, excluding finance lease and hire purchase liabilities, as at 31 December were as follows:

	<b>Consolidated / Separate financial statements</b>	
	2017	2016
	<i>(in thousand Baht)</i>	
Within one year	54,680	14,043
After one year but within five years	41,568	56,248
<b>Total</b>	<b>96,248</b>	<b>70,291</b>



บริษัท สากล เอเนจวี่ จำกัด (มหาชน)  
SAKOL ENERGY PUBLIC COMPANY LIMITED



**Sakol Energy Public Company Limited and its subsidiaries**  
**Notes to the financial statements**  
**For the year ended 31 December 2017**

Secured interest-bearing liabilities as at 31 December were secured on the following assets:

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
Property, plant and equipment	66,554	162,485	66,554	61,502
Investment properties	100,983	-	-	-
	<u>167,537</u>	<u>162,485</u>	<u>66,554</u>	<u>61,502</u>

As at 31 December 2017, the Company had utilized short-term borrowings from financial institution totaling Baht 40 million which is consisted of promissory notes with interest rate at 4.15% per annum.

In July 2013, the Company entered into a long-term loan agreement of Baht 100 million with a financial institution. The long-term loan is repayable in monthly 84 installments of Baht 1.43 million effective from September 2014, interest is paid monthly at the rate of MLR-2.375% per annum for the first two years, MLR-2.125% per annum for the third to fourth year, and MLR-1.625% per annum for the remaining years. This loan is guaranteed by some directors and secured by a mortgage of land, buildings and structures on such land, and machinery and equipment of the Company along with any assignment of the insured property. Under the loan agreement, the Company must comply with certain conditions stipulated in the agreement, such as financial covenants and to maintain the Company's major shareholders not less than 26% of the total shares listed on the Stock Exchange of Thailand over the term of this agreement.

As at 31 December 2017, the Group and the Company had unutilized credit facilities totaling Baht 299.98 million (2016: Baht 196.24 million).

**Finance lease and hire purchase liabilities**

Finance lease and hire purchase liabilities as at 31 December were payable as follows:

	Consolidated / Separate financial statements					
	2017			2016		
	Future minimum lease payments	Interest	Present value of minimum lease payments <i>(in thousand Baht)</i>	Future minimum lease payments	Interest	Present value of minimum lease payments
Within one year	1,175	(99)	1,076	1,791	(169)	1,622
After one year but within five years	1,571	(61)	1,510	2,746	(160)	2,586
<b>Total</b>	<u>2,746</u>	<u>(160)</u>	<u>2,586</u>	<u>4,537</u>	<u>(329)</u>	<u>4,208</u>



บริษัท สากล เอนเนอร์ยี่ จำกัด (มหาชน)  
SAKOL ENERGY PUBLIC COMPANY LIMITED



**Sakol Energy Public Company Limited and its subsidiaries**  
**Notes to the financial statements**  
**For the year ended 31 December 2017**

**14 Other current payables**

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
Other payables	4,633	2,812	4,531	2,741
Value added tax payable	3,105	6,902	3,105	6,902
Accrued bonus	3,503	3,145	3,503	3,145
Accrued operating expenses	2,664	1,056	2,573	956
Others	1,950	787	1,750	776
<b>Total</b>	<b>15,855</b>	<b>14,702</b>	<b>15,462</b>	<b>14,520</b>

**15 Deferred tax liabilities**

	<b>Consolidated / Separate financial statements</b>	
	2017	2016
	<i>(in thousand Baht)</i>	
Deferred tax liabilities	<b>(9,854)</b>	<b>(9,799)</b>

Movements in deferred tax liabilities during the year were as follows:

	<b>Consolidated/ Separate financial statements</b>		
	At 1 January 2017	(Charged) / Credited to: Profit or loss (Note 22) <i>(in thousand Baht)</i>	At 31 December 2017
<b>Deferred tax liabilities</b>			
Difference in revenue recognition for accounting and taxation purposes of revenue from financial lease	(9,053)	(70)	(9,123)
Property, plant and equipment	(714)	15	(699)
Financial lease liabilities	(32)	-	(32)
<b>Total</b>	<b>(9,799)</b>	<b>(55)</b>	<b>(9,854)</b>

	<b>Consolidated/ Separate financial statements</b>		
	At 1 January 2016	(Charged) / Credited to: Profit or loss (Note 22) <i>(in thousand Baht)</i>	At 31 December 2016
<b>Deferred tax liabilities</b>			
Difference in revenue recognition for accounting and taxation purposes of revenue from financial lease	(9,053)	-	(9,053)
Property, plant and equipment	(731)	17	(714)
Financial lease liabilities	(32)	-	(32)
<b>Total</b>	<b>(9,816)</b>	<b>17</b>	<b>(9,799)</b>



**Sakol Energy Public Company Limited and its subsidiaries**  
**Notes to the financial statements**  
**For the year ended 31 December 2017**

Deferred tax assets have not been recognized in respect of the following items:

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
Tax losses	(20,779)	(665)	(20,267)	-
Provisions for employee benefits	(120)	(222)	(120)	(222)
<b>Total</b>	<b>(20,899)</b>	<b>(887)</b>	<b>(20,387)</b>	<b>(222)</b>

The tax losses expire in 2020 to 2022 the deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

**16 Share capital**

	Par value per share <i>(in Baht)</i>	2017		2016	
		Number	Baht	Number	Baht
		<i>(thousand shares / thousand Baht)</i>			
<b>Authorized</b>					
At 1 January					
- ordinary shares	0.5 / 100	930,000	465,000	3,464	346,400
Reduction in par value					
from Baht 100 to Baht 0.5	0.5	-	-	689,336	-
Increase of new shares	0.5	-	-	237,200	118,600
<b>At 31 December</b>					
- ordinary shares	0.5	<b>930,000</b>	<b>465,000</b>	<b>930,000</b>	<b>465,000</b>
<b>Issued and paid-up</b>					
At 1 January					
- ordinary shares	0.5 / 100	692,800	346,400	3,464	346,400
Reduction in par value					
from Baht 100 to Baht 0.5	0.5	-	-	689,336	-
Increase of new shares	0.5	237,200	118,600	-	-
<b>At 31 December</b>					
- ordinary shares	0.5	<b>930,000</b>	<b>465,000</b>	<b>692,800</b>	<b>346,400</b>

**Reduction in par value and increase in capital**

At the extraordinary meeting of the shareholders of the Company held on 1 September 2016, the shareholders approved a resolution reducing par value of ordinary share from a Baht 100 par value to a Baht 0.5 par value and increasing the capital from authorised share capital of Baht 346.40 million (692,800,000 shares with a Baht 0.5 par value) to Baht 465 million (930,000,000 shares with a Baht 0.5 par value). The Company registered the change in par value and the increase in capital with the Ministry of Commerce on 14 September 2016.



บริษัท สากล เอนเนอร์ยี่ จำกัด (มหาชน)  
SAKOL ENERGY PUBLIC COMPANY LIMITED



## Sakol Energy Public Company Limited and its subsidiaries

### Notes to the financial statements

For the year ended 31 December 2017

#### *Ordinary shares offering*

On 14 November 2017, the Company offered its ordinary shares through its initial public offering in the number issue of 237,200,000 shares at the price of Baht 1.8 per share. The Company received proceeds from the offering of such capital increase shares, net of expenses of the sale of securities, in the amount of Baht 416.22 million. The Company registered the increase in issued and paid share capital of Baht 118.6 million (237,200,000 shares with a Baht 0.5 par value) to be Baht 465 million (930,000,000 shares with a Baht 0.5 par value) with the Ministry of Commerce on 20 November 2017.

#### *Share premium*

Section 51 of the Public Companies Act B.E. 2535 requires companies to set aside share subscription monies received in excess of the par value of the shares issued to a reserve account ("share premium"). Share premium is not available for dividend distribution

## 17 Reserves

#### *Appropriations of profit and/or retained earnings*

##### **Legal reserve**

Section 116 of the Public Companies Act B.E. 2535 Section 116 requires that a public company shall allocate not less than 5% of its annual net profit, less any accumulated losses brought forward, to a reserve account ("legal reserve"), until this account reaches an amount not less than 10% of the registered authorized capital. The legal reserve is not available for dividend distribution.

#### *Other components of equity*

##### **Fair value changes in available-for-sale investments**

The fair value changes in available-for-sale investments account within equity comprises the cumulative net change in the fair value of available-for-sale investments until the investments are derecognized or impaired.

## 18 Segment information

The Group has two reportable segments, as described below, which are the Group's strategic divisions. The primary format, strategic divisions, is based on the Group's management and the internal reporting structure provided to the chief operating decision maker. The following summary describes the operations in each of the Group's reportable segments.

Segment 1	Natural gas compression service
Segment 2	Others

Other operations include non-operating activities. None of these segments meets the quantitative thresholds for determining reportable segments in 2017 or 2016.



บริษัท สากล เอเนจย จำกัด (มหาชน)  
SAKOL ENERGY PUBLIC COMPANY LIMITED

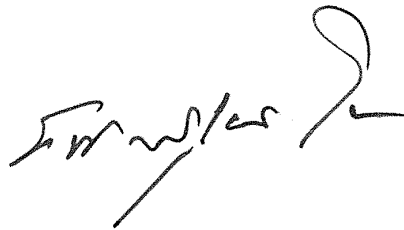
**Sakol Energy Public Company Limited and its subsidiaries**  
**Notes to the financial statements**  
**For the year ended 31 December 2017**

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the Group's CODM. Segment profit before tax is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

As discussed in note 9 to the financial statements following the registration of the liquidation of Sakol Biomass Power Co., Ltd. on 29 July 2016. Information about the subsidiary's business segment previously reported but now presented on discontinued.



บริษัท สากล เอนเนอร์ยี่ จำกัด (มหาชน)  
SAKOL ENERGY PUBLIC COMPANY LIMITED







**Sakol Energy Public Company Limited and its subsidiaries**  
**Notes to the financial statements**  
**For the year ended 31 December 2017**

*Information about reportable segments*

For the year ended 31 December	Natural gas compression		Others		Discontinued operation		Total		Elimination of inter-segment		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
<i>(in thousand Baht)</i>												
External revenue												
- Revenue from rendering of services	310,150	385,546	-	-	-	-	310,150	385,546	-	-	310,150	385,546
- Revenue from financial lease	21,434	22,185	-	-	-	-	21,434	22,185	-	-	21,434	22,185
Other income	1,559	1,270	615	6,747	-	2,550	2,174	10,567	(54)	(3,918)	2,120	6,649
<b>Total</b>	<b>333,143</b>	<b>409,001</b>	<b>615</b>	<b>6,747</b>	<b>-</b>	<b>2,550</b>	<b>333,758</b>	<b>418,298</b>	<b>(54)</b>	<b>(3,918)</b>	<b>333,704</b>	<b>414,380</b>
Profit before income tax	73,825	122,817	150	2,411	-	2,057	73,975	127,285	-	666	73,975	127,951
Interest income	104	49	1	3	-	-	105	52	-	-	105	52
Finance costs	8,346	4,114	-	-	-	-	8,346	4,114	-	-	8,346	4,114
Depreciation and amortization	5,726	5,865	-	-	-	-	5,726	5,865	-	-	5,726	5,865
Capital expenditure	20,841	5,935	-	-	-	-	20,841	5,935	-	-	20,841	5,935
Segment assets as at 31 December	1,039,249	761,146	203,705	203,032	-	-	1,242,954	964,178	(202,200)	(202,000)	1,040,954	762,178
Segment liabilities as at 31 December	154,637	131,415	392	182	-	-	155,029	131,597	-	-	155,029	131,597



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SAKOL ENERGY PUBLIC COMPANY LIMITED

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**Sakol Energy Public Company Limited and its subsidiaries**  
**Notes to the financial statements**  
**For the year ended 31 December 2017**

*Reconciliation of reportable segment profit or loss*

	2017	2016
	<i>(in thousand Baht)</i>	
<b>Profit or loss</b>		
Total profit before income tax for reportable segments	73,975	127,951
Elimination of discontinued operation	-	(2,057)
<b>Consolidated profit before income tax</b>	<b>73,975</b>	<b>125,894</b>

*Geographical segments*

The Group is managed and operates only in Thailand. There are no revenues derived from, or assets located in, foreign countries.

*Major customer*

Revenue from one customer of the Group's segment 1 represents approximately Baht 331.58 million (2016: Baht 407.73 million) of the Group's total revenues.

**19 Employee benefit expenses**

	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
Salaries and wages	34,400	27,724	34,400	27,724
Defined contribution plans	1,067	252	1,067	252
Defined benefit plans	349	338	349	338
Others	4,739	3,826	4,739	3,826
<b>Total</b>	<b>40,555</b>	<b>32,140</b>	<b>40,555</b>	<b>32,140</b>

*Defined benefit plan*

The Group operates a defined benefit plan based on the requirement of Thai Labour Protection Act B.E. 2541 (1998) to provide retirement benefits to employees based on pensionable remuneration and length of service.

*Defined contribution plans*

The defined contribution plans comprise provident funds established by the Group for its employees. Membership to the funds is on a voluntary basis. Contributions are made monthly by the employees at rates ranging from 2% to 15% of their basic salaries and by the Group at rates ranging from 4% to 7% of the employees' basic salaries. The provident funds are registered with the Ministry of Finance as juristic entities and are managed by a licensed Fund Manager.



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SAKOL ENERGY PUBLIC COMPANY LIMITED

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## Sakol Energy Public Company Limited and its subsidiaries

### Notes to the financial statements

### For the year ended 31 December 2017

## 20 Operating leases

### Leases as lessee

#### i. Future minimum lease payments

At 31 December, the future minimum lease payments under non-cancellable leases were payable as follows:

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
		(in thousand Baht)		
Within one year	8,765	4,293	8,765	4,293
After one year but within five years	14,858	11,297	14,858	11,297
<b>Total</b>	<b>23,623</b>	<b>15,590</b>	<b>23,623</b>	<b>15,590</b>

The Company entered into an office premise and service lease agreement with a company for a period of three years which will expire in November 2019.

The Company entered into multiple operating lease agreements for compressed gas tanks for periods of 2 to 5 years which will expire by September 2020.

The Company entered into multiple vehicle operating lease agreements for periods of four years which will expire by September 2020.

#### ii. Amount recognized in profit or loss

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
		(in thousand Baht)		
Lease expense	4,698	4,920	4,698	4,920
Service expense	195	-	195	-
<b>Total</b>	<b>4,893</b>	<b>4,920</b>	<b>4,893</b>	<b>4,920</b>

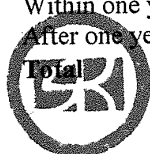
### Leases as lessor

The Group leases out its investment property (see note 11).

#### i. Future minimum lease payment

At 31 December, the future minimum lease payment under non-cancellable lease was receivable as follows.

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
		(in thousand Baht)		
Within one year	440	480	-	-
After one year but within five years	-	440	-	-
<b>Total</b>	<b>440</b>	<b>920</b>	<b>-</b>	<b>-</b>



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**Sakol Energy Public Company Limited and its subsidiaries**  
**Notes to the financial statements**  
**For the year ended 31 December 2017**

**21 Expenses by nature**

The statements of income include an analysis of expenses by function. Expenses by nature disclosed in accordance with the requirements of various TFRS were as follows:

	Note	Consolidated financial statements		Separate financial statements	
		2017	2016	2017	2016
		<i>(in thousand Baht)</i>			
Cost of natural gas compression service		169,781	214,887	169,781	214,887
Consumables used		2,180	1,648	2,180	1,648
Employee benefit expenses	19	40,555	32,140	40,555	32,140
Depreciation and amortization		5,726	5,865	5,726	5,865
Professional and consulting fees		5,618	4,178	5,228	3,596
Others		27,523	25,654	27,502	23,933
<b>Total cost of rendering of services and administrative expenses</b>		<b>251,383</b>	<b>284,372</b>	<b>250,972</b>	<b>282,069</b>

**22 Income tax**

*Income tax recognized in profit or loss*

	Note	Consolidated financial statements		Separate financial statements	
		2017	2016	2017	2016
		<i>(in thousand Baht)</i>			
<b>Current tax expense</b>					
Current year		-	326	-	-
<b>Deferred tax expense</b>	15				
Movements in temporary differences		55	(17)	55	(17)
<b>Total income tax</b>		<b>55</b>	<b>309</b>	<b>55</b>	<b>(17)</b>

*Reconciliation of effective tax rate*

	Rate (%)	Consolidated financial statements		Rate (%)	
		2017	2016		
		<i>(in thousand Baht)</i>			
Profit before income tax expense		73,795	127,951		
Income tax using the Thai corporation tax rate	20.00	14,795	25,590	20.00	
Income not subject to tax		-	(8,633)		
Expenses not deductible for tax purposes		784	1,012		
Additional deductible expenses for tax purposes		(19,547)	(16,956)		
Recognition of previously unrecognised Tax losses		(61)	(588)		
Current year losses for which no deferred tax asset was recognized		4,084	17		
Others		-	(133)		
<b>Total</b>		<b>0.07</b>	<b>55</b>	<b>0.24</b>	<b>309</b>



**Sakol Energy Public Company Limited and its subsidiaries**  
**Notes to the financial statements**  
**For the year ended 31 December 2017**

	Separate financial statements			
	2017		2016	
	Rate (%)	(in thousand Baht)	Rate (%)	(in thousand Baht)
Profit before income tax expense		73,825		122,817
Income tax using the Thai corporation tax rate	20.00	14,765	20.00	24,563
Income not subject to tax		-		(8,633)
Expenses not deductible for tax purposes		784		1,009
Additional deductible expenses for tax purposes		(19,547)		(16,956)
Current year losses for which no deferred tax asset was recognized		4,053		-
<b>Total</b>	<b>0.07</b>	<b>55</b>	<b>(0.01)</b>	<b>(17)</b>

*Income tax reduction*

Revenue Code Amendment Act No. 42 B.E. 2559 dated 3 March 2016 grants a reduction of the corporate income tax rate to 20% of net taxable profit for accounting periods which begin on or after 1 January 2016.

**23 Promotional privileges**

By virtue of the provisions of the Industrial Investment Promotion Act of B.E. 2520, the Company has been granted privileges by the Board of Investment relating to natural gas stations for gas storage trailers. The privileges granted include:

- exemption from payment of import duty on machinery approved by the Board;
- exemption from payment of income tax for certain operations for a period of eight years from the date on which the income is first derived from such operations;
- a 50% reduction in the normal income tax rate on the net profit derived from certain operations for a period of five years, commencing from the expiry date in (b) above; and
- double deduction from the costs of transportation, electricity and water for a period of 10 years from the date on which the income is first derived from such operations.
- additional 25% deduction of the cost of installation and construction of facilities in addition to normal depreciation.

As promoted company, the Company must comply with certain terms and conditions prescribed in the promotional certificates.



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SAKOL ENERGY PUBLIC COMPANY LIMITED



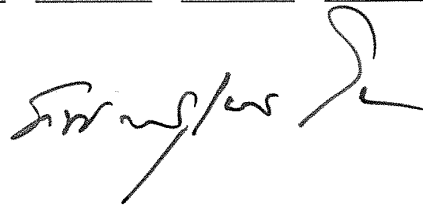
**Sakol Energy Public Company Limited and its subsidiaries**  
**Notes to the financial statements**  
**For the year ended 31 December 2017**

Summary of revenue from promoted and non-promoted businesses:

<b>Consolidated financial statements</b>					
	2017			2016	
	Promoted business	Non-promoted business	Total (in thousand Baht)	Promoted business	Non-promoted business Total
Total revenue	<u>287,074</u>	<u>46,630</u>	<u>333,704</u>	<u>407,731</u>	<u>6,649</u> <u>414,380</u>
<b>Separate financial statements</b>					
	2017			2016	
	Promoted business	Non-promoted business	Total (in thousand Baht)	Promoted business	Non-promoted business Total
Total revenue	<u>287,074</u>	<u>46,069</u>	<u>333,143</u>	<u>407,731</u>	<u>1,269</u> <u>409,000</u>



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SAKOL ENERGY PUBLIC COMPANY LIMITED






**Sakol Energy Public Company Limited and its subsidiaries**  
**Notes to the financial statements**  
**For the year ended 31 December 2017**

**24 Basic earnings per share**

The calculations of basic earnings per share for the years ended 31 December 2017 and 2016 were based on the profit for the years attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding during the years as follows:

	Consolidated financial statements			Separate financial statements	
	2017	2016		2017	2016
		Continuing operations	Discontinued operation (in thousand Baht / thousand shares)	Total	
<b>Profit attributable to ordinary shareholders of the Company (basic)</b>	<b>73,920</b>	<b>125,585</b>	<b>2,057</b>	<b>127,642</b>	<b>122,834</b>
Number of ordinary shares outstanding at 1 January	692,800	692,800	692,800	692,800	692,800
Effect of shares issued on 20 November 2017	27,294	-	-	27,294	-
<b>Weighted average number of ordinary shares outstanding (basic)</b>	<b>720,094</b>	<b>692,800</b>	<b>692,800</b>	<b>720,094</b>	<b>692,800</b>
<b>Basic earnings per share (in Baht)</b>	<b>0.103</b>	<b>0.181</b>	<b>0.003</b>	<b>0.184</b>	<b>0.177</b>



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SAKOL ENERGY PUBLIC COMPANY LIMITED

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**Sakol Energy Public Company Limited and its subsidiaries**  
**Notes to the financial statements**  
**For the year ended 31 December 2017**

**25 Dividends**

At the annual general meeting of shareholders of the Company held on 6 March 2017, the shareholders approved the appropriation of dividend of Baht 0.3406 per share, amounting to Baht 235.97 million and allocated its profit to a legal reserve amounting to Baht 6.20 million. The dividend was paid to the shareholders in March 2017.

**26 Financial instruments**

*Financial risk management policies*

The Group is exposed to normal business risks from changes in market interest rates and from non-performance of contractual obligations by counterparties. The Group does not hold or issue derivative financial instruments for speculative or trading purposes.

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

*Capital management*

The Board of Directors' policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board monitors the return on capital, which the Group defines as result from operating activities divided by total shareholders' equity and also monitors the level of dividends to ordinary shareholders.

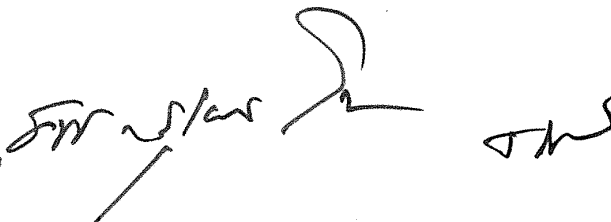
*Interest rate risk*

Interest rate risk is the risk that future movements in market interest rates will affect the results of the Group's operations and its cash flows because loan interest rates consist of float and fixed interest rate. The Group is primarily exposed to interest rate risk from its borrowings (see note 13). The Group mitigates this risk by ensuring that the majority of its borrowings are at fixed interest rates.

The Company require investment on development projects that have been carried over consistently. To mitigate the risk of fluctuation in interest rates, the Company plans to restructure the interest rate of long-term borrowings to be fixed which is consistent with the nature of business of the Company. Meanwhile the Company still has other funding alternatives other than loans such as searching other partners for development projects in order to manage the funds of the Company effectively and maintain finance costs at the appropriate level.



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SAKOL ENERGY PUBLIC COMPANY LIMITED





## Sakol Energy Public Company Limited and its subsidiaries

### Notes to the financial statements

#### For the year ended 31 December 2017

The effective interest rates of financial lease receivable as at 31 December and the periods in which the financial lease receivable mature was as follows:

	Effective interest rate (% per annum)	Within 1 year	Consolidated/ Separate financial statements After 1 year but within 5 years After 5 years (in thousand Baht)		Total
<b>2017</b>					
Financial lease receivable	0.50 - 3.71	<u>16,703</u>	<u>54,026</u>	<u>156,581</u>	<u>227,310</u>
<b>2016</b>					
Financial lease receivable	0.50 - 3.71	<u>20,123</u>	<u>49,908</u>	<u>171,754</u>	<u>241,785</u>

The effective interest rates of interest - bearing financial liabilities as at 31 December and the periods in which those liabilities mature were as follows:

	Effective interest rate (% per annum)	Within 1 year	Consolidated/ Separate financial statements After 1 year but within 5 years After 5 years (in thousand Baht)		Total
<b>2017</b>					
Loans payable - Financial institutions	4.150 - 4.875	<u>54,680</u>	<u>41,568</u>	<u>-</u>	<u>96,248</u>
<b>2016</b>					
Loans payable - Financial institutions	4.625 - 4.875	<u>14,043</u>	<u>56,248</u>	<u>-</u>	<u>70,291</u>

#### Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or counterparty to settle its financial and contractual obligations to the Group as and when they fall due which may cause financial losses to the Group. However, the Group's credit risk is low as majority of revenue of the Company is under long-term contracts with a large private company that its risk is low.

#### Liquidity risk

The Group has sufficient cash flow and credit facilities with many commercial banks deemed adequate to support the Group's operations. In addition, the Group invests in high liquidity assets and has effective management in order to maintain a level of cash and cash equivalents at the appropriate level.

#### Carrying amount and fair values

The following table shows the carrying amounts and fair values of financial assets, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.



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SAKOL ENERGY PUBLIC COMPANY LIMITED

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**Sakol Energy Public Company Limited and its subsidiaries**  
**Notes to the financial statements**  
**For the year ended 31 December 2017**

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	Carrying amount	Fair value Level 2 (in thousand Baht)	Carrying amount	Fair value Level 2
<b>31 December 2017</b>				
Money fund	<u>425,398</u>	<u>425,398</u>	<u>393,570</u>	<u>393,570</u>
<b>31 December 2016</b>				
Money fund	<u>96,770</u>	<u>96,770</u>	<u>65,508</u>	<u>65,508</u>

Money fund are stated at fair value using the price or yield announced by the Bond Market Association of Thailand on the date the investment is valued.

**27 Commitments with non-related parties**

	<b>Consolidated financial statement</b>		<b>Separate financial statements</b>	
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
<b>Capital commitments</b>				
<i>Contracted but not provided for:</i>				
Buildings	6,194	-	6,194	-
Software	1,093	1,093	1,093	1,093
Machinery and equipment	1,020	1,026	1,020	1,026
Furniture, fixtures and office equipment	76	-	76	-
Electrical system	-	1,008	-	1,008
<b>Total</b>	<u>8,383</u>	<u>3,127</u>	<u>8,383</u>	<u>3,127</u>
<b>Other commitments</b>				
Bank guarantees	<u>38,770</u>	<u>43,468</u>	<u>38,770</u>	<u>43,468</u>

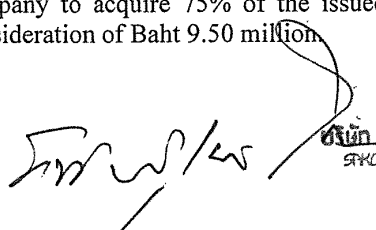
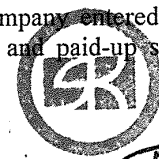
(a) The Company has letters of guarantee issued by a financial institution on behalf of the Company amounting to Baht 30 million, for the obligations required in the normal course of business, mostly guarantees for performance contracts (31 December 2016: the Group and the Company have letters of guarantee amounting to Baht 34.95 million and Baht 30 million, respectively).

(b) The Company has commitments with a domestic financial institution for letters of guarantee for electricity usage amounting to Baht 8.77 million (31 December 2016: Baht 8.52 million).

**28 Events after the reporting period**

At the Board of Director's meeting of the Company held on 25 January 2018, the Board of Directors approved the Company to invest in RE Biofuels Co., Ltd., with a limit to Baht 20 million and also approved a loan of Baht 12 million to the said company. The loan will be repaid when the Department of Alternative Energy Development and Efficiency pays subsidy to this company.

Subsequently in February 2018, the Company entered into a sale and purchase agreement with a company to acquire 75% of the issued and paid-up share capital of RE Biofuels Co., Ltd. for a consideration of Baht 9.50 million.

  
  
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SAKOL ENERGY PUBLIC COMPANY LIMITED





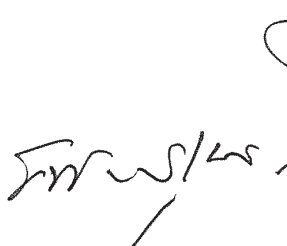

**Sakol Energy Public Company Limited and its subsidiaries**  
**Notes to the financial statements**  
**For the year ended 31 December 2017**

On 31 January 2018, the Company entered into a Memorandum of Understanding with STFE Co., Ltd. to conduct a feasibility study for acquisition Mae Krating Power Co, Ltd. The Company is obliged to pay a deposit of Baht 40 million. The 1,200 million shares with a Baht 10 per value of Mae Krating Power Co., Ltd. and a land are pledged as security against the Memorandum of Understanding.

On 6 February 2018, a financial institution withdrew the guarantee of loan given by two directors totalling Baht 121 million . As a result, those directors have no obligations to the financial institution.

At the Board of Director's meeting of the Company held on 23 February 2018, the Board of Directors endorse the resolutions and propose the following matters to shareholders' meeting for further approval:

- (a) To acquire 80% interest in the shares of Mae Krating Power Co., Ltd. for consideration of Baht 80 million and invest in an increase in share capital of this company of Baht 205.84 million, and appoint an independent financial advisor to provide opinion to the shareholders of the Company in order to consider the acquisition of Mae Krating Power Co., Ltd.
- (b) To revise objectives of the uses of proceeds from capital increase through initial public offering

  
  
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