



**Annual Report 2015**

**รายงานประจำปี 2558**

บริษัท พลธัญญะ จำกัด (มหาชน)





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## Vision

To be a sustainable premier company in innovative solutions for Safety, Health, Environment (SHE) and related businesses to serve Thai and AEC customers by 2020

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## Mission

- ▶ Be recognized by customers and societies as a leading company offering high-quality Safety, Health, Environment product innovation and expertise
  - ▶ Develop our people to be professionally and ethically competent in a happy workplace
  - ▶ Be equipped with an efficient and modern work system, along with a desirable work culture, to provide customers with full-scale products and services
  - ▶ Create value to stakeholders equally for sustainable growth
- 

## Policy

- ▶ Create sustainable growth with sales growth of no less than 15 percent per year.
- ▶ Expand safety and environment and related business through direct investment and merger and acquisitions.
- ▶ Maintain the operations at an international standard and develop continuously.
- ▶ Maintain good governance in management practices and strongly uphold morals and ethics.
- ▶ Strictly comply to laws and related regulations.
- ▶ Promote promising talents with high morals to advance in the organization.
- ▶ Continually protect the interest of shareholders, partners and relevant stakeholders.

# Financial Highlights

As December 31,  
(Consolidated)

|   |              | 2015   | 2014   | 2013    |
|---|--------------|--------|--------|---------|
| <b>Financial Position</b>                 |              |        |        |         |
| Total Assets                              | Million Baht | 667.40 | 550.37 | 511.45  |
| Total Liabilities                         | Million Baht | 346.10 | 229.69 | 202.75  |
| Total Shareholders' equity of the Company | Million Baht | 324.13 | 322.90 | 310.52  |
| <b>Financial Performance</b>              |              |        |        |         |
| Revenue from Sales and Services           | Million Baht | 914.90 | 803.01 | 773.88  |
| Cost of Sales and Services                | Million Baht | 674.62 | 585.17 | 540.08  |
| Gross Profit                              | Million Baht | 240.29 | 217.85 | 233.80  |
| Net Profit For Owner of The Parent        | Million Baht | 34.31  | 38.86  | 50.75   |
| <b>Financial Ratio</b>                    |              |        |        |         |
| Return On Equity                          | %            | 10.61% | 12.27% | 16.77%  |
| Return On Assets                          | %            | 7.72%  | 9.62%  | 13.28%  |
| Gross Profit Margin                       | %            | 26.26% | 27.13% | 30.21%  |
| Net Profit Margin                         | %            | 3.74%  | 4.81%  | 6.53%   |
| Liquidity Ratio                           | Times        | 1.58   | 1.97   | 2.04    |
| Debt to Equity Ratio                      | Times        | 1.07   | 0.71   | 0.65    |
| <b>Common Shares</b>                      |              |        |        |         |
| Par Value Per Share                       | Baht         | 1.00   | 1.00   | 1.00    |
| Book Value Per Share                      | Baht         | 2.00   | 1.99   | 1.92    |
| Dividend Per Share                        | Baht         | 0.20   | 0.20   | 0.43    |
| Dividend Payout Ratio                     | %            | 94.42% | 83.39% | 114.39% |
| Earnings Per Share                        | Baht         | 0.21   | 0.24   | 0.31    |

**Note :**

- In 2014, the company increase ordinary share capital 27,000,000 shares at par value of Baht 1 each from the existing share capital of Baht 135 Million to Baht 162 Million in order to reserve for the stock dividend to the shareholders in the ratio 5 current shares per 1 dividend share. Paid up capital of Baht 161,999,986

- In 2013, the company ordinary share calculated by adjusting the number of ordinary shares in proportion to the change in the number of shares as a result of the increase in share capital arising from the issue of a stock dividend in 2014, the number of ordinary shares of the prior year has been adjusted as if the stock dividend had been issued at the beginning of the earliest period of year 2013.

# Message from the Chairman



*P. Chinda*

Prof. Dr. Pornchai Chunhachinda  
Chairman of the Board

*Chavalit Wangthamrong*

Mr. Chavalit Wangthamrong  
Chairman of Executive Committee

2015 marks another year that the Company has generated satisfactory operating performance, in spite of the economic impact that is said to be in a gradual recovery phase. Nevertheless, the strategy adjustment to better suit the economic tendency has earned the Company 915 million baht from sales and services; a 14% increase from 2014. Sales revenue has risen in all three product and service groups; Occupational Safety, Health and Environment Products, Control Environment Products and Water Solution Products. Specifically, there have been signs of significant growth in the Water Solution products business, whose revenue has increased by 225% compared to the year before due to the fact that the Company has taken on more water treatment system projects from the government and private sectors. The Company's firm determination in developing the water solution business is obvious evidence confirming the Company's potential for future growth.

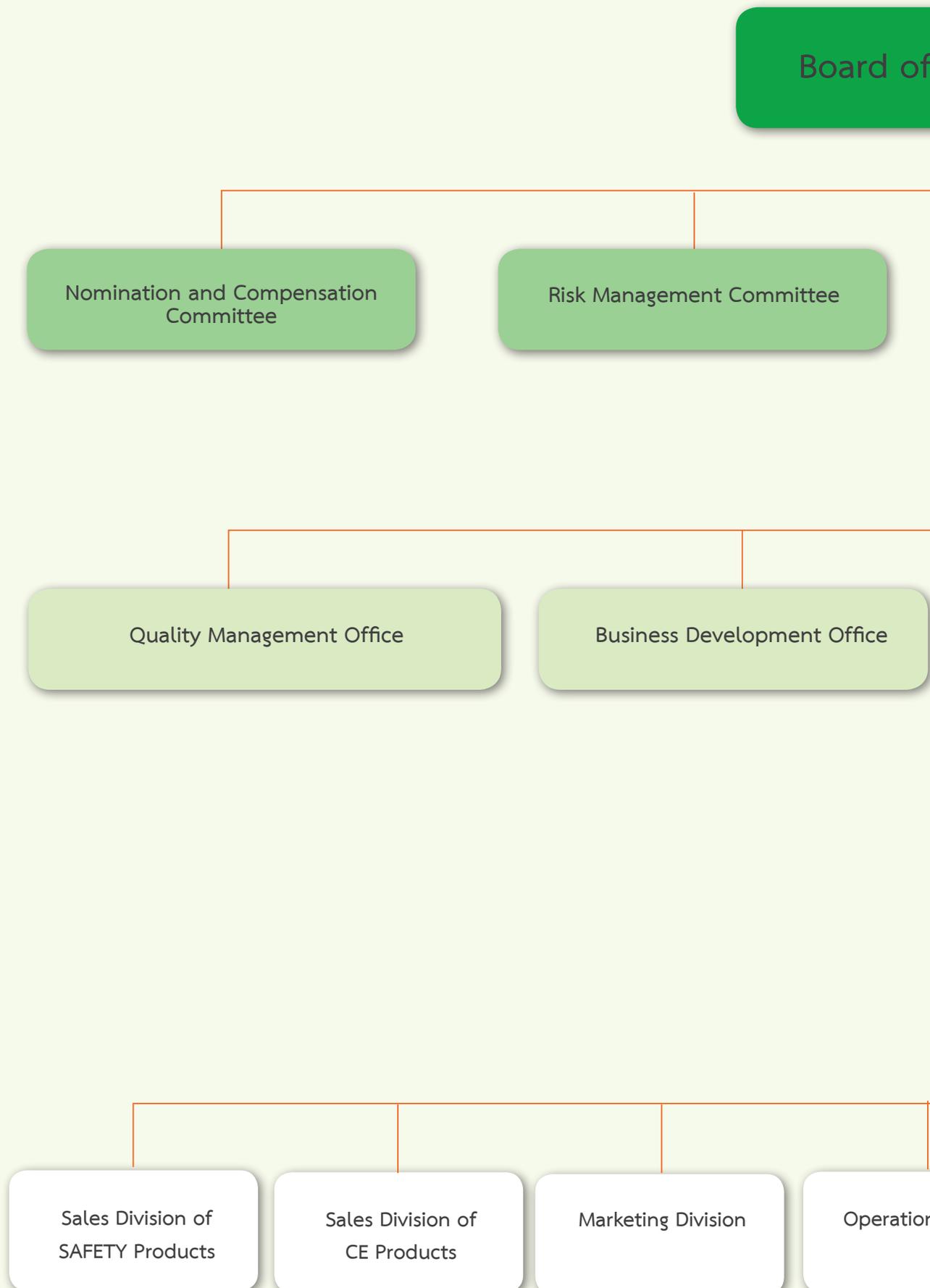
In 2015, the Board of Directors has actively collaborated with the top management in identifying and reviewing the Company's vision and mission statements, in preparation for future business opportunities. In coherence with the introduction of the AEC, the Company has revised its vision and mission statements to encourage sustainable growth, "To be a sustainable premier company in innovative solutions for Safety, Health, Environment (SHE) and related businesses to serve Thai and AEC customers by 2020". The statement was announced and to be effective from November 10, 2015 and the message has been disseminated to shareholders and investors via the Company's website.

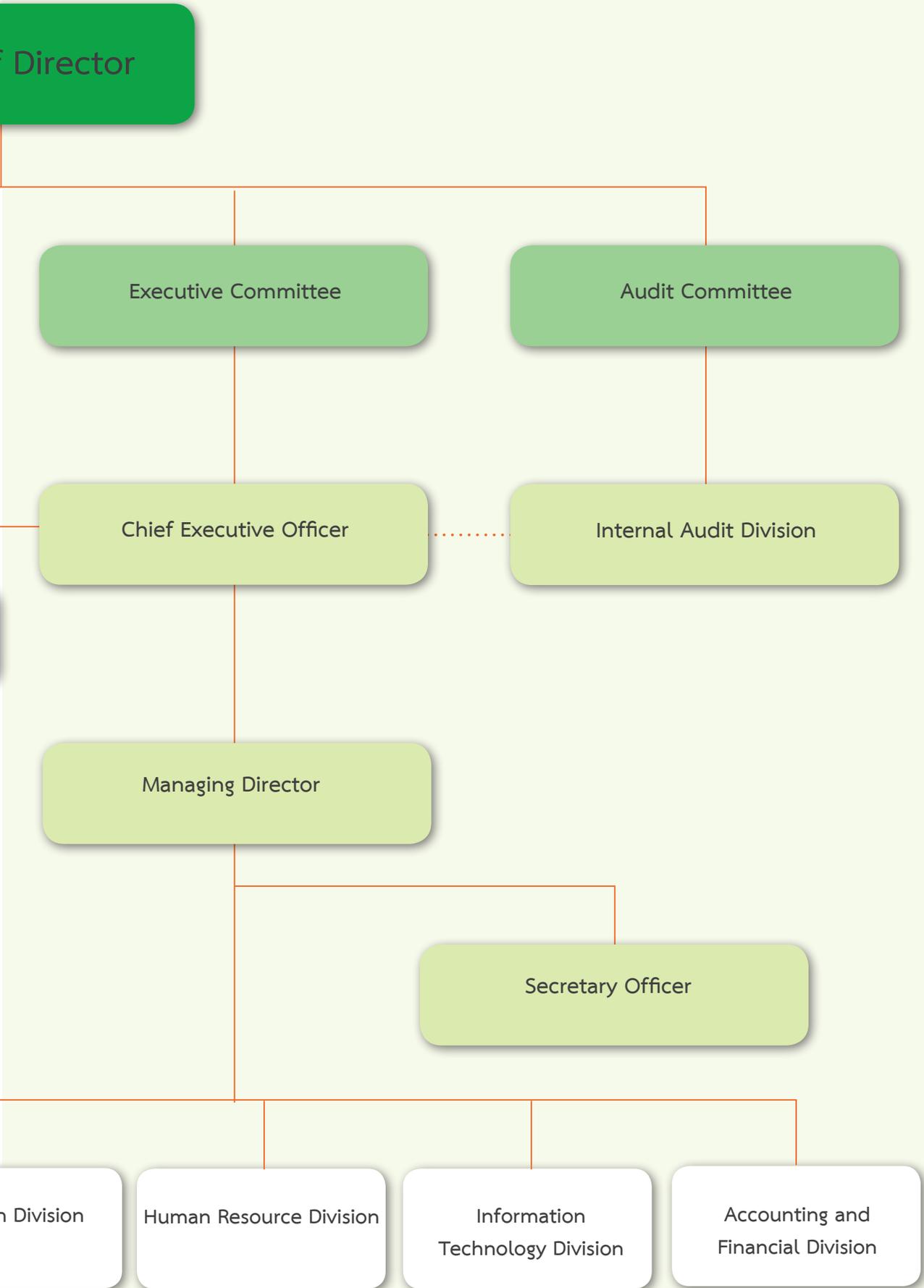
With the Company's dedication in operating the business with fairness, transparency, strict compliance with moral and ethical values, and determination in creating business values in the long run to all stakeholders by way of encouraging the adoption of corporate governance principles in management and administration in a continuous manner for utmost efficiency and effectiveness, in 2015 the Company has been graded "Excellent" according to the Corporate Governance Report of Thai Listed Companies 2015 by Thai Institute of Directors (IOD). Moreover, the Company's Board of Director received The Honorable Mention-MAI from "Board of the Year Awards 2015". Furthermore, the Company has expressed its intention in forming a Collective Action Coalition, representing the Thai private sector in standing up against dishonesty and corruption. Speaking of which, the Company's evaluation on operational sustainability on "Anti-Corruption" in 2015 is "Level 3", demonstrating its solid progress, policies and directions in implementing anti-corruption measures. The current status is self-evaluation in order to determine the risks before proceeding to the CAC accreditation.

On behalf of Phol Dhanya PCL's Board of Directors, sincere gratitude is extended to shareholders, clients, business partners, business alliances and all stakeholders for entrusting and supporting the Company's business operations all along. The Company would also like to express profound appreciation towards the Board of Directors, management team and staff members in taking parts in driving the Company forward to success. Please be ensured that the Company will keep its focus on organizational development and consistent return generation to all shareholders, under the principle of good governance for ultimate benefits to all stakeholders.

# Organization Chart

(at present)





# General Information

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|                            |  |
|----------------------------|--|
| <b>Company Name</b>        | : PHOL DHANYA PUBLIC COMPANY LIMITED   |
| <b>SET Symbol</b>          | : PHOL   |
| <b>Registered Capital</b>  | : THB162,000,000.00 (162,000,000 common shares ) with a par value of Baht 1.00   |
| <b>Paid-up Capital</b>     | : THB161,999,986.00 (161,999,986 common shares ) with a par value of Baht 1.00   |
| <b>Business Type</b>       | : A distribution of Occupational Safety, Health and Environment Products and Distribution, Construction, Production, and Service of Water Solution Systems   |
| <b>Head office</b>         | : 1/11 Moo 3, Lumlukka Road., Ladsawai, Lumlukka, Pathumthani 12150 Thailand.<br>Tel 66(0)-2791-0111-2, Fax 66(0)-2791-0100-3  |
| <b>Branch</b>              | : 1) 155/213 Moo 2, Thabma sub-district, Muang district, Rayong<br>Tel 66(0)-3803-4011-3, Fax 66(0)-3803-4017<br><br>2) 47/55-57 Chotana Road., Chang puak sub-district, Muang district, Chiang Mai<br>Tel 66(0)-5322-6811, Fax 66(0)-3803-4017<br><br>3) 1/127 Moo 3, Thepkasattri Road, Rasada sub-district, Muang district, Phuket<br>Tel 66(0)-7621-5100, Fax 66(0)-7621-5714  |
| <b>Registration No.</b>    | : 0107551000088  |
| <b>Website</b>             | : <a href="http://www.pdgth.com">www.pdgth.com</a>   |
| <b>Company's Secretary</b> | : Miss. Saowapa Choorujiporn Tel 66(0)-2791-0151, E-mail: <a href="mailto:cs@pdgth.com">cs@pdgth.com</a>   |
| <b>Investor Relation</b>   | : Miss. Siriporn Ondee Tel 66(0)-2791-0206, E-mail: <a href="mailto:ir@pdgth.com">ir@pdgth.com</a>   |
| <b>Subsidiaries</b>        | : 1) Phol Palladium Co., Ltd.<br>1/11 Moo 3, Lumlukka Road., Ladsawai, Lumlukka, Pathumthani 12150<br>Tel 66(0)-2791-0111-2, Fax 66(0)-2791-0100-3<br>Shareholding :99.99%<br><br>2) Phol Water Co., Ltd.<br>Head Office : 1/11 Moo 3, Lumlukka Road., Ladsawai, Lumlukka,<br>Pathumthani 12150 Tel 66(0)-2791-0111-2, Fax 66(0)-2791-0100-3<br>Phuket Branch : 1/127 Moo 3, Thepkasattri road, Rasada sub-district,<br>Muang district, Phuket Tel 66(0)-7621-5100, Fax 66(0)-7621-5714<br>Shareholding :99.99%<br><br>3) Pholdhanya (Cambodia) Co., Ltd.<br>No. 952D, Street 128, Khan Toul Kork, Phnom Penh, Cambodia<br>Shareholding 100% |

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## Other references

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|                      |  |
|----------------------|--|
| <b>Registrar</b>     | : Thailand Securities Depository Co., Ltd.<br>The Stock Exchange of Thailand Building<br>93 Ratchadaphisek Road, Dindaeng, Dindaeng, Bangkok 10400<br>Tel 66(0)-2009-9000, Fax 66(0)-2009-9991, Website : <a href="http://www.set.or.th/tsd">www.set.or.th/tsd</a> |
| <b>Auditor</b>       | : ANS Audit Co., Ltd<br>100/31-32, 16th Floor, 100/2 Vongvanij Building B, Rama 9 Road., Huaykwang,<br>Bangkok, 10320<br>Tel 66(0)-2645-0101, Fax 66(0)-2645-0110, Website : <a href="http://www.ans.co.th">www.ans.co.th</a>                                      |
| <b>Legal Advisor</b> | : Dherakupt Law Office Ltd.<br>546 Uninvest Complex 15th Floor, Rachadapisek Road., Chandrakasem,<br>Jatuchak, Bangkok 10900 Tel 66(0)-2511-1512, 66(0)-2513-1976,<br>Fax 66(0)-2938-1247, 66(0)-2938-1957   |

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For more information, Pleases see From 56-1 on The Securities and Exchange Commission's website [www.sec.or.th](http://www.sec.or.th) or the company's website [www.pdgth.com](http://www.pdgth.com)

# Awards and Recognitions

## Board of the Year Awards 2015

### The Honorable Mention-MAI



The Board of Director of Phol Dhanya Public Company Limited received The Honorable Mention-MAI from “Board of the Year Awards 2015” organized by Thai Institute of Directors Association (IOD) in cooperation with The Stock Exchange of Thailand, Board of Trade of Thailand, The Federation of Thai Industries, The Thai Bankers’ Association, Thai Listed Companies Association, and Federation of Thai Capital Market Organizations to celebrate and promote The Board of Director of Thai Listed Company who have performed their duties with effectiveness and good governance which are the essential parts lead to Good Corporate Governance.



# Board of Directors



- 1** **Prof. Dr. Pornchai Chunchachinda**  
Chairman of the Board
- 2** **Mr. Chavalit Wangthamrong**  
Director  
Chairman of Executive Committee  
Nomination and Compensation Committee  
(Authorized Signature)
- 3** **Mr. Teeradej Jarutangtrong**  
Director  
Chairman of Risk Management Committee  
(Authorized Signature)



- ④ **Assoc. Prof. Dr. Seksak Jumreornvong**  
 Chairman of Audit Committee  
 Independent Director
- ⑤ **Assoc. Prof. Dr. Ekachidd Chungcharoen**  
 Independent Director  
 Audit Committee  
 Chairman of Nomination and  
 Compensation Committee
- ⑥ **Mr. Noppadol Dheerabutrongsul**  
 Independent Director  
 Audit Committee  
 Nomination and Compensation Committee



**7** **Mr. Pramuk Vongtanakiat, M.D.**  
Independent Director  
Risk Management Committee

**8** **Mr. Boonchai Suwanvutthiwat**  
Director  
Executive Director  
Risk Management Committee

**9** **General Chaiwat Satondee**  
Director

# Management Team and Company Secretary



**1** **Mr. Boonchai Suwanvutthiwat**  
Chief Executive Officer

**2** **Mr. Pornsak Chunjajinda**  
Executive Director  
Managing Director  
Chief Financial Officer  
Chief Human Resources Officer



**3 Miss Prapaipit Viriyabhupha**  
Chief Operation Officer  
Chief Sales Officer  
Control Environment Products  
Chief Information Technology Officer

**4 Mr. Payotorn Mungthong**  
Chief Sales Officer  
Occupational Safety, Health  
and Environment Products



5

**Miss Natchomkorn Puapansakul**

Chief Internal Audit Officer  
Secretary of Audit Committee

6

**Mr. Thanya Wangthamrong**

Executive Director  
Chief Marketing Officer

7

**Miss Saowapa Choorujiporn**

Company Secretary  
Secretary of the Board of Director  
Secretary of Risk Management Committee

# Detail of Directors and Management Team

## Prof. Dr. Pornchai Chunhachinda Age 52

Chairman of the Board

Start on: September 12, 2007  
(Chairman since January 13, 2014)

### Educational Background

- Ph.D. (Finance) Florida International University
- Master of Science (Finance) Florida International University
- Master of Business Administration, Thammasat University
- Bachelor of Accounting (Second Class Honors), Chulalongkorn University

### Training

- Capital Market Academy Leadership Program, Capital Market Academy (CMA) Class 11/2010
- Training programs of Thai Institute of Directors (IOD)
  - Ethical Leadership Program (ELP); Train the Trainer
  - Program Update for DCP Graduate (DCPU) Class 5/2015
  - Chartered Director Class (CDC) Class 7/2013
  - Role of the Chairman program (RCP) Class 11/2012
  - Role of the Compensation Committee (RCC) Class 12/2011
  - Audit Committee Program (ACP) Class 4/2005
  - Director Certification Program (DCP) Class 36/2003

### Work Experiences

- 2015 - Present : Audit Committee and Independent Director, Bangkok Commercial Asset Management Plc.
- 2015 - Present : Associate Fellow; Business Administration The Royal Society
- 2014 - Present : Chairman of the Board, Phol Dhanya Plc.
- 2014 - Present : Chairman of Audit Committee and Independent Director, Krungthai Panich Insurance Plc.
- 2011 - Present : Chairman of Audit Committee and Independent Director , Copper Wired Co., Ltd
- 2011 - Present : Sub-Committee on Secretariat of Sasin Graduate Institute of Business Administration of Chulalongkorn University
- 2008 - Present : Chairman of the Board, Ausiris Futures Co.,Ltd
- 2011 - 2014 : Chairman of Nominating and Compensating Committee, Phol Dhanya Plc.
- 2007 - 2013 : Vice Chairman of the Board, Phol Dhanya Plc.
- 2010 - 2013 : Associate Dean for Graduate Studies, The Faculty of Commerce and Accountancy, Thammasat University
- 2000 - 2011 : Independent Director and Audit Committee, Siam Commercial New York Life Insurance Plc.

### Other directorship position / Other position at present :

Subsidiaries company : None

Other listed company : None

Non-listed company :

- Audit Committee and Independent Director, Bangkok Commercial Asset Management Plc.
- Associate Fellow; Business Administration The Royal Society
- Chairman of the Board, Ausiris Futures Co., Ltd
- Chairman of Audit Committee and Independent Director, Krungthai Panich Insurance Plc.
- Chairman of Audit Committee and Independent Director , Copper Wired Co., Ltd.

### Number of Shares Held as of February 29, 2016 :

Personally 0.81% (1,310,000 Shares)

Spouse and minor children None

### Family relationship among Executive :

Mr. Pornsak Chunhajinda's brother

## Mr. Chavalit Wangthamrong Age 63

Director/ Chairman of Executive Committee/  
Nomination and Compensation Committee  
(Authorized Signature)

Start on: September 12, 2007

### Educational Background

- Master of Business Administration, Sasin Graduate Institute of Business Administration of Chulalongkorn University
- Bachelor of Engineering, Chulalongkorn University

### Training

- CML Capital Market Leader Program (SEC)
- Training programs of Thai Institute of Directors (IOD)
  - Director Accreditation Program (DAP) Class 67/2007

### Work Experiences

- 2013 - Present : Chairman of Executive Committee, Phol Dhanya Plc.
- 2014 - Present : Nomination and Compensation Committee, Phol Dhanya Plc.
- 2007 - Present : Director, Phol Dhanya Plc.
- 2014 - Present : Director, Phol Water Co., Ltd
- 2013 - Present : Director, Pholdhanya (Cambodia) Co., Ltd
- 2009 - Present : Director, Thai Yonok Logistics Co., Ltd
- 2006 - Present : Director, PDF Supply Co., Ltd.
- 2006 - Present : Director, Guzz Media Co., Ltd
- 2005 - Present : Director, N.H.L. (Thailand) Co., Ltd
- 1996 - Present : Director, VSV Asia Co., Ltd
- 1977 - 2012 : Chief Executive Officer, Phol Dhanya Plc.
- 2009 - 2008 : Chairman of the Board, PD Genesis Engineering Co., Ltd
- 1992 - 2009 : Director, P.D. Marketing & Manufacturer Co., Ltd
- 2001 - 2007 : Director, PDC Supply Co., Ltd
- 2003 - 2008 : Director, PDA Supply Co., Ltd / PDR Supply Co., Ltd
- 2001 - 2008 : Chairman of the Board, Palladium Intertrade Co., Ltd
- 1993 - 2008 : Director, PD Progress Co., Ltd
- 1988 - 2008 : Director, Personal Safety Co., Ltd
- 2001 - 2007 : Director, PDS International (Thailand) Co.,Ltd

### Other directorship position / Other position at present :

Subsidiaries company :

- Director, Phol Water Co., Ltd
- Director, Pholdhanya (Cambodia) Co., Ltd

Other listed company : None

Non-listed company :

- Director, Thai Yonok Logistics Co., Ltd
- Director, PDF Supply Co., Ltd.
- Director, Guzz Media Co., Ltd
- Director, N.H.L. (Thailand) Co., Ltd
- Director, VSV Asia Co., Ltd

### Number of Shares Held as of February 29, 2016 :

Personally 15.12% (24,490,560 Shares)

Spouse and minor children 9.63% (15,600,000 Shares)

### Family relationship among Executive :

Mr. Thanya Wangthamrong's Father

**Mr. Teeradej Jarutangtrong Age 63**

Director/Chairman of Risk Management Committee  
(Authorized Signature)

Start on: September 12, 2007

**Educational Background**

- Bachelor of Engineering, Chulalongkorn University

**Training**

- Training programs of Thai Institute of Directors (IOD)
  - Anti-Corruption for Executive Program Class 14/2015
  - Director Accreditation Program (DAP) Class 68/2008

**Work Experiences**

|                |   |   |
|----------------|---|---|
| 2014 - Present | : | Chairman of Risk Management Committee, Phol Dhanya Plc.           |
| 2007 - Present | : | Director, Phol Dhanya Plc.  |
| 2013 - Present | : | Chairman of the Board, Phol Palladium Co., Ltd                    |
| 2007 - Present | : | Director, Aegle Safety Equipment (Shanghai) Co., Ltd              |
| 2006 - Present | : | Director, Guzz Media Co., Ltd                                     |
| 2005 - Present | : | Director, Aegle Alliance Pte., Ltd                                |
| 2013           | : | Vice Chairman of Executive Committee, Phol Dhanya Plc.            |
| 2012 - 2013    | : | Chairman of Sub-Risk Management Committee, Phol Dhanya Plc.       |
| 2007 - 2012    | : | Managing Director, Phol Dhanya Plc.                               |
| 2004 - 2008    | : | Director, PDC Supply Co., Ltd.                                    |
| 2003 - 2008    | : | Director, PDA Supply Co., Ltd / PDR Supply Co., Ltd               |
| 2001 - 2008    | : | Director, Palladium Intertrade Co., Ltd                           |
| 1993 - 2008    | : | Director, PD Progress Co., Ltd                                    |
| 1988 - 2008    | : | Director, Personal Safety Co., Ltd                                |
| 2001 - 2007    | : | Managing Director, PDS International (Thailand) Co., Ltd          |
| 2004 - 2006    | : | Chairman of the Board, Aegle Safety Equipment (Shanghai) Co., Ltd |

**Other directorship position / Other position at present :**

Subsidiaries company :

- Chairman of the Board, Phol Palladium Co., Ltd

Other listed company : None

Non-listed company :

- Director, Aegle Safety Equipment (Shanghai) Co., Ltd
- Director, Guzz Media Co., Ltd
- Director, Aegle Alliance Pte., Ltd

**Number of Shares Held as of February 29 , 2016 :**

|                           |                          |
|---------------------------|--------------------------|
| Personally                | 0.62% (1,000,000 Shares) |
| Spouse and miner children | 4.22% (6,830,999 Shares) |

**Family relationship among Executive**

None

**Assoc. Prof. Dr. Seksak Jumreornvong Age 60**

Chairman of Audit Committee/ Independent Director

Start on: September 12, 2007

**Educational Background**

- Ph.D. (Finance), Georgia State University
- Master of Accountancy (Banking and Finance), Chulalongkorn University
- Bachelor of Business Administration (Finance), Assumption University of Thailand

**Training**

- Training programs of Thai Institute of Directors (IOD)
  - Successful Formulation and Execution of Strategy (SFE) Class 25/2015
  - Risk Management Program for Corporate Leaders (RCL) Class 2/2015
  - Advance Audit Committee Programs (AACP) Class 7/2012 and 19/2015
  - Monitoring Fraud Risk Management (MFM) Class 6/2011
  - Monitoring the International Audit Function (MIA) Class 11/2011
  - Monitoring the System of Internal Control and Risk Management (MIR) Class 11/2011
  - Monitoring the Quality of Financial Reporting (MFR) Class 13/2011
  - Director Accreditation Program (DAP) Class 69/2008
  - Audit Committee Program (ACP) Class 23/2008

**Work Experiences**

|                |   |   |
|----------------|---|---|
| 2007 - Present | : | Chairman of Audit Committee/ Independent Director, Phol Dhanya Plc.                           |
| 2006 - Present | : | Associate Professor, Thammasat University   |
| 2010 - 2014    | : | Director of Master in Finance Program, Thammasat University                                   |
| 2007 - 2009    | : | Chief of Finance Department, Thammasat University   |
| 2004 - 2006    | : | Chairman of Master of Management (Finance) Program, College of Management, Mahidol University |
| 2000 - 2004    | : | Deputy Director of Human Resource Institute, Thammasat University                             |

**Other directorship position / Other position at present :**

Subsidiaries company : None

Other listed company : None

Non-listed company :

- Associate Professor, Thammasat University

**Number of Shares Held as of February 29 , 2016 :**

|                           |      |
|---------------------------|------|
| Personally                | None |
| Spouse and miner children | None |

**Family relationship among Executive**

None

**Assoc. Prof. Dr. Ekachidd Chungcharoen Age 53**  
**Independent Director /Audit Committee /**  
**Chairman of Nomination and Compensation Committee**

Start on: September 12, 2007

**Educational Background**

- Ph.D. (Management Science) Faculty of Engineering, University of Waterloo
- Master of Management Science, Faculty of Engineering, University of Waterloo
- Master of Engineering Program in Electrical Engineering of Youngstown State University, USA
- Bachelor of Engineering Program in Electrical Engineering (Major in Computer), King Mongkut's Institute of Technology Ladkrabang

**Training**

- Training programs of Thai Institute of Directors (IOD)
  - Role of the Compensation Committee (RCC) Class 18.2014
  - Director Accreditation Program (DAP) Class 68/2008
  - Audit Committee Program (ACP) Class 23/2008

**Work Experiences**

- 2007 - Present : Audit Committee/Independent Director, Phol Dhanya Plc.
- 2014 - Present : Chairman of Nomination and Compensation Committee, Phol Dhanya Plc.
- 2013 - Present : Audit Committee/Independent Director, BJC Heavy Industries Plc.
- 2010 - Present : Director of Master of Business Administration Program, Thammasat University
- 2005 - Present : Associate Professor, Thammasat University
- 2004 - Present : Nominating and Compensating Committee, Phol Dhanya Plc.
- 2011- 2014 : Audit Committee/Independent Director, BJC Heavy Industries Co., Ltd.
- 2011 - 2013 : Audit Committee/Independent Director, BJC Heavy Industries Co., Ltd.
- 2001 - 2007 : Director of Bachelor of Business Administration (BBA) International Program, Thammasat University

**Other directorship position / Other position at present :**

Subsidiaries company :

Listed company :

- Audit Committee/Independent Director, BJC Heavy Industries Plc.

Non-listed company :

- Director of Master of Business Administration Program, Thammasat University
- Associate Professor, Thammasat University
- Director of the Joint Doctoral in Business Administration Program (JDBA), Thammasat University

**Number of Shares Held as of February 29 , 2016 :**

**Personally** 0.01% (24,000 Shares)  
 Spouse and minor children None

**Family relationship among Executive**

None

**Mr. Noppadol Dheerabutrungkul Age 48**  
**Independent Director /Audit Committee /**  
**Nomination and Compensation Committee**

Start on: September12, 2007

**Educational Background**

- Master of Science (Finance), University of Colorado at Denver
- Bachelor of Accounting, Thammasat University
- Certified Public Accountant (CPA)

**Training**

- Training programs of Thai Institute of Directors (IOD)
  - Role of the Nominating and Governance Committee (RNG) Class 3/2012
  - Audit Committee Program (ACP) Class 23/2008
  - Director Accreditation Program (DAP) Class 68/2008

**Work Experiences**

- 2007 - Present : Audit Committee/ Independent Director Phol Dhanya Plc.
- 2011 - Present : Nomination and Compensation Committee Phol Dhanya Plc.
- 2013- Present : Audit Committee/Independent Director, BJC Heavy Industries Plc.
- 2007 - Present : Executive Director IFAC Co., Ltd
- 2013- 2014 : Audit Committee, Zemash Corporation Co., Ltd.
- 2011 - 2013 : Audit Committee/ Independent Director BJC Heavy Industries Co., Ltd
- 2005 - 2007 : Business Controller, Siam City Cement Plc.

**Other directorship position / Other position at present :**

Subsidiaries company : None

Other listed company :

- Audit Committee/Independent Director, BJC Heavy Industries Plc.

Non-listed company :

- Executive Director, IFAC Co., Ltd

**Number of Shares Held as of February 29, 2016 :**

**Personally** 0.01% (24,000 Shares)  
 Spouse and minor children None

**Family relationship among Executive**

None

**Mr. Pramuk Vongtanakiat, M.D. Age 46**  
Independent Director/ Risk Management Committee

Start on: January 13, 2014

**Educational Background**

- Medicine Faculty of Medicine Siriraj Hospital, Mahidol University
- Diploma in Obstetrics and Gynecology Specialist, Council Vajira Hospital Medical School, Bangkok
- Diploma, Medical Profession, Medical Council of Family Medicine

**Training**

- Training programs of Thai Institute of Directors (IOD)
  - Risk Management Program for Corporate Leaders (RCL) Class 2/2015
  - Director Certification Program (DCP) Class 186/2014

**Work Experiences**

|                |  |
|----------------|--|
| 2014 - Present | : Independent Director, Phol Dhanya Plc.           |
| 2016 - Present | : Risk Management Committee, Phol Dhanya Plc.      |
| 2000 - Present | : Management Director, Great Opportunity Co., Ltd. |
| 1993 - Present | : Director, Srisampran Medical Clinic              |
| 2012 - 2015    | : Vice President, ThaiVI Organization (Thailand)   |
| 2010 - 2012    | : Website Management Committee-thaivi.com          |
| 1993 - 1999    | : Medical Office Specialist Obstetricians, Bangkok |

**Other directorship position / Other position at present :**

Subsidiaries company : None

Other listed company : None

Non-listed company :

- Management Director, Great Opportunity Co., Ltd.
- Director, Srisampran Medical Clinic

**Number of Shares Held as of February 29, 2016 :**

|                           |                          |
|---------------------------|--------------------------|
| Personally                | 0.05% (85,000 Shares)    |
| Spouse and minor children | 0.88% (1,422,540 Shares) |

**Family relationship among Executive**

None

**General Chaiwat Satondee Age 61**  
Director

Start on: October 12, 2015

**Educational Background**

- Bachelor of Science, Chulachomklao Royal Military Academy
- Command and General Staff College Class 65
- National Defense College Class 2007

**Training**

- Tactical Intelligence, Combat Instructor Training, Joint Warfare course in Australia
- Peacekeeping for Decision Makers Course in USA
- Training programs of Thai Institute of Directors (IOD)
  - Director Certification Program (DCP) Class 216/2016

**Work Experiences**

|                |   |
|----------------|---|
| 2015 - Present | : Director / Advisor to Chairman of Executive Committee, Phol dhanya Plc.               |
| 2015 - Present | : Advisor to Board of Security and Military Affairs, The National legislative Assembly. |
| 2012 - 2014    | : Director General of War Veteran Organization of Thailand                              |
| 2008           | : Deputy Director of Defence Industry and Energy Centre                                 |
| 2007           | : Chief of Military Affairs Co-ordinations Officers of the National Security Council    |
| 2003           | : Chief of Staff in The Joint Security Council in Ache Monitoring Mission in Indonesia  |
| 1998 - 2001    | : Defense Attach to The Royal Thai Embassy in Yangon                                    |
| 1991 - 1994    | : Assistance Army Attach to The Royal Thai Embassy in Beijing                           |

**Other directorship position / Other position at present :**

Subsidiaries company : None

Other listed company : None

Non-listed company :

- Advisor to Board of Security and Military Affairs, The National legislative Assembly.

**Number of Shares Held as of February 29, 2016 :**

|                           |                        |
|---------------------------|------------------------|
| Personally                | 0.12% (198,600 Shares) |
| Spouse and minor children | None                   |

**Family relationship among Executive**

None

**หมายเหตุ**

Note: Appointed as Director to replaced resigned director on October 12, 2015

**Mr. Boonchai Suwanvutthiwat****Age 52**

Director/Executive Director/  
Risk Management Committee/  
Chief Executive Officer

**Educational Background**

- Advanced Certificate Course in Public Economics Management for Executives, King Prajadhipol's Institute Class 11/2013
- Bachelor of Arts in Political Science (Major in Public Administration), Ramkhamhaeng University

**Training**

- Capital Market Academy Academy Leadership Program, Capital Market Academy (CMA) Class 20/2015
- In-houses Training
  - Jan 2015 "Supply Chain Management"
  - Jan 2015 "Move Toward : CSR"
  - Jun 2015 "Positive Thinking"
  - Aug 2015 "Effective Coaching for Manager"
- Training programs of Thai Institute of Directors (IOD)
  - Successful Formulation and Execution of Strategy (SFE) class 26/2016 (On Training)
  - Anti-Corruption: The Practical Guide Program (ACPG) class 21/2015
  - Director Certification Program (DCP) Class 155/2012

**Work Experiences**

|                |  |
|----------------|--|
| 2013 – Present | : Director/ Chief Executive Officer, Phol Dhanya Plc.                    |
| 2010 – Present | : Executive Director, Phol Dhanya Plc.                                   |
| 2014 - Present | : Risk Management Committee, Phol Dhanya Plc.                            |
| 2014 - Present | : Director, Phol Water Co.,Ltd.  |
| 2013 – Present | : Director, Pholdhanya (Cambodia) Co., Ltd                               |
| 2010 - 2012    | : Senior Director – Central Industrial Zone Department, Phol Dhanya Plc. |
| 2007 – 2010    | : Director of Sales Department Group 2, Phol Dhanya Plc.                 |
| 1999 – 2006    | : Manager – Business Unit, Phol Dhanya Co., Ltd                          |
| 1992 - 1998    | : Manager – Sales Department, Phol Dhanya Co., Ltd                       |

**Other directorship position / Other position at present :**

Subsidiaries company :

- Director, Phol Water Co.,Ltd.
- Director, Pholdhanya (Cambodia) Co.,Ltd.

Other listed company : None

Non-listed company : None

**Number of Shares Held as of February 29 , 2016 :**

**Personally** None

Spouse and minor children None

**Family relationship among Executive**

None

**Mr. Pornsak Chunhajinda****Age 48**

Executive Director/Managing Director/  
Chief Financial Officer /  
Chief Human Resources Officer

**Educational Background**

- Bachelor of Science (Accounting), Kasetsart University
- Certified Public Accountant (CPA)

**Training**

- Apr 2015 "Mini Master in HR Management" by Faculty of Economics, Chulalongkorn University
- May 2015 "CSR for Corporate Sustainability" by SET
- May - Jun 2015 "Developing CSR Practitioner's Skills" by SET
- Jun 2015 "Business Information Technology Management Line Manager" by Strategic Business Development Center
- Sep 2015 "Forensic Accounting" by Federation of Accounting Profession
- In-houses Training
  - Jan 2015 "Supply Chain Management"
  - Jan 2015 "Move Toward : CSR"
  - Jun 2015 "Positive Thinking"
  - Aug 2015 "Effective Coaching for Manager"
  - Sep 2015 "Strategic Planning"
  - Dec 2015 "Key Performance Indicators – KPIs"

**Work Experiences**

|                |   |
|----------------|---|
| 2016 - Present | : Managing Director, Phol Dhanya Plc.                           |
| 2010 - Present | : Executive Director/Chief Financial Officer, Phol Dhanya Plc.  |
| 2014 - Present | : Chief Human Resources Officer, Phol Dhanya Plc.               |
| 2014 - Present | : Director/Managing Director, Phol Water Co., Ltd.              |
| 2007 - Present | : Director, Nonsi Accounting Co., Ltd                           |
| 2004 - Present | : Director, Rak Charoen Co., Ltd                                |
| 2009 - 2013    | : Director, PD Genesis Engineering Co., Ltd                     |
| 2007 - 2010    | : Director of Accounting and Finance Division, Phol Dhanya Plc. |
| 1996 - 2006    | : Managing Director, Nonsi Accounting Co., Ltd                  |

**Other directorship position / Other position at present :**

Subsidiaries company :

- Director/Managing Director, Phol Water Co., Ltd.

Other listed company : None

Non-listed company :

- Director, Nonsi Accounting Co., Ltd
- Director, Rak Charoen Co., Ltd

**Number of Shares Held as of February 29 , 2016 :**

**Personally** 0.08% ( 134,000 Shares)

Spouse and minor children 0.43% ( 696,000 Shares)

**Family relationship among Executive**

Prof. Dr. Pornchai Chunhajinda's brother

**Miss Prapaipit Viriyabhupha** Age 46

Chief Operation Officer /  
Chief Sales Officer Control Environment Products/  
Chief Information Technology Officer

**Educational Background**

- Master of Business Administration (Marketing), Ramkhamhaeng University
- Bachelor of Public Administration, Prince of Songkla University

**Training**

- Sep 2015 “Management Accounting for Non-Financial Executive” by Federation of Accounting Profession
- In-houses Training
  - Jan 2015 “Supply Chain Management”
  - Jan 2015 “Move Toward : CSR”
  - Jun 2015 “Positive Thinking”
  - Aug 2015 “Effective Coaching for Manager”
  - Sep 2015 “Strategic Planning”
  - Sep 2015 “The Art of Public Speaking and Personality development”
  - Dec 2015 “Key Performance Indicators – KPIs”

**Work Experiences**

- 2010 – Present : Chief Operation Officer, Phol Dhanya Plc.  
2014 – Present : Chief Sales Officer Control Environment Products, Phol Dhanya Plc.  
2016 - Present : Chief Information Technology Officer, Phol Dhanya Plc.  
2013 - Present : Director, Phol Palladium Co., Ltd  
2007 - 2010 : Chief Operation Officer, Phol Dhanya Plc.  
1995 - 2007 : Manager of Procurement Department, Phol Dhanya Plc.  
1992 - 2004 : Supervisor - Procurement Department, Phol Dhanya Plc.

**Other directorship position / Other position at present :**

Subsidiaries company :

- Director, Phol Palladium Co., Ltd

Other listed company : None

Non-listed company : None

**Number of Shares Held as of February 29 , 2016 :**

Personally 0.37% (600,000 Shares)

Spouse and minor children None

**Family relationship among Executive**

None

**Mr. Payotorn Mungthong** Age 45

Chief Sales Officer Occupational Safety,  
Health and Environment Products

**Educational Background**

- Master of Business Administration, Mahanakorn University of Technology
- Bachelor of Science (Computer Science), Ramkhamhaeng University

**Training**

- May 2015 “CSR for Corporate Sustainability” by SET
- May - Jun 2015 “Developing CSR Practitioner’s Skills” by SET
- Nov 2015 “Advanced Certificate Course in Public Administration and law for Executives Class 15” by King Prajadhipok’s Institute (Studying)
- In-houses Training
  - Jan 2015 “Move Toward : CSR”
  - Jun 2015 “Positive Thinking”
  - Aug 2015 “Effective Coaching for Manager”
  - Sep 2015 “Strategic Planning”
  - Dec 2015 “Key Performance Indicators – KPIs”

**Work Experiences**

- 2016 - Present : Chief Sales Officer Occupational Safety, Health and Environment Products, Phol Dhanya Plc.  
2013 - Present : Director/Managing Director, Phol Palladium Co., Ltd  
2015 : Chief Sales Officer of Occupational Safety, Health and Environment Products, Phol Dhanya Plc.  
2013 - 2014 : Chief Sales Officer, Phol Dhanya Plc.  
2014 : Chief Information Technology Officer, Phol Dhanya Plc.  
2010 - 2012 : Director of Government & Retail Department, Phol Dhanya Plc.  
2007 – 2010 : Director of Marketing Department, Phol Dhanya Co., Ltd  
2001 – 2009 : Manager of Marketing Department, Phol Dhanya Co., Ltd

**Other directorship position / Other position at present :**

Subsidiaries company :

- Director/Managing Director, Phol Palladium Co., Ltd

Other listed company : None

Non-listed company : None

**Number of Shares Held as of February 29 , 2016 :**

Personally None

Spouse and minor children None

**Family relationship among Executive**

None

**Miss Natchomkorn Puapansakul****Age 53**

Chief Internal Audit Officer /  
Secretary of Audit Committee

**Educational Background**

- Master of Business Administration (Management), Kasetsart University
- Bachelor of Business Administration (Accounting), Ramkhamhaeng University

**Training**

- Oct 2015 “Strategic CFO in Capital Markets” by SET
- Oct 2015 “Verifying the CAC Checklist : Experience Sharing from Auditors” by Federation of Accounting Profession
- Oct 2015 “Business Law in ASEAN Economic Community” by Faculty of Laws Chulalongkorn University
- In-houses Training
  - Jan 2015 “Supply Chain Management”
  - Jan 2015 “Move Toward : CSR”
  - Jun 2015 “Positive Thinking”
  - Aug 2015 “Effective Coaching for Manager”
  - Sep 2015 “Strategic Planning”
  - Sep 2015 “The Art of Public Speaking and Personality development”
  - Dec 2015 “Key Performance Indicators – KPIs”

**Work Experiences**

|                |   |  |
|----------------|---|--|
| 2007 - Present | : | Chief Internal Audit Officer /Secretary of Audit Committee, Phol Dhanya Plc. |
| 2004 - 2007    | : | Manager - Internal Audit Department, Phol Dhanya Co., Ltd                    |
| 2000 - 2003    | : | Manager - Accounting Department, Phol Dhanya Co., Ltd                        |
| 1997 - 2000    | : | Manager - Finance Department, Phol Dhanya Co., Ltd                           |
| 1995 - 1996    | : | Manager - Accounting Department, Phol Dhanya Co., Ltd                        |
| 1991 - 1994    | : | Supervisor – Accounting Unit, Phol Dhanya Co., Ltd                           |

**Other directorship position / Other position at present :**

Subsidiaries company : None  
Other listed company : None  
Non-listed company : None

**Number of Shares Held as of February 29 , 2016 :**

**Personally** None  
Spouse and miner children None

**Family relationship among Executive**

None

**Mr. Thanya Wangthamrong****Age 35**

Executive Director/Chief Marketing Officer/

**Educational Background**

- Master of Business Administration (International), Thammasat University
- Bachelor of Architecture, Chulalongkorn University

**Training**

- Feb 2015 “Transition to ISO 9001:2015” by BSI Group (Thailand) Ltd.
- In-houses Training
  - Jan 2015 “Supply Chain Management”
  - Jan 2015 “Move Toward : CSR”
  - Jun 2015 “Positive Thinking”
  - Aug 2015 “Effective Coaching for Manager”
  - Sep 2015 “Strategic Planning”
  - Dec 2015 “Key Performance Indicators – KPIs”
- Training programs of Thai Institute of Directors (IOD)
  - Director Certification Program (DCP) Class180/2013

**Work Experiences**

|                |   |   |
|----------------|---|---|
| 2010 - Present | : | Executive Director/ Chief Marketing Officer/, Phol Dhanya Plc.    |
| 2011 - Present | : | Director, Wilsiri Intertrade Co, Ltd.                             |
| 2006 – Present | : | Director, Guzz Media Co., Ltd                                     |
| 2006 – Present | : | Director, PDF Supply Co., Ltd                                     |
| 2013 - 2015    | : | Director, Phol Dhanya Plc.  |
| 2015           | : | Chief Information Technology Officer, Phol Dhanya Plc.            |
| 2014           | : | Director – Environment Business Division, Phol Dhanya Plc.        |
| 2009 - 2010    | : | Manager - Marketing Division, Phol Dhanya Plc.                    |
| 2007 - 2009    | : | Manager – Marketing Communication Department Phol Dhanya Co.,Ltd. |

**Other directorship position / Other position at present :**

Subsidiaries company : None  
Other listed company : None  
Non-listed company :

- Director, Wilsiri Intertrade Co, Ltd.
- Director, Guzz Media Co., Ltd
- Director, PDF Supply Co., Ltd

**Number of Shares Held as of February 29 , 2016 :**

**Personally** 7.41% ( 12,000,000 Shares)  
Spouse and miner children 2.61% (4,224,000 Shares)

**Family relationship among Executive**

Mr. Chavalit Wangthamrong’s son

**Miss Saowapa Choorujiporn****Age 54**

Company Secretary/  
 Secretary of the Board of Director/  
 Secretary of Risk Management Committee

**Educational Background**

- Bachelor of Business Administration (Accounting), Ramkhamhaeng University

**Training**

- Company Secretary Program FPCS class 19/2008 Thai Listed Companies Association
- In-houses Training
  - Jan 2015 “Move Toward : CSR”
  - Jun 2015 “Positive Thinking”
  - Aug 2015 “Effective Coaching for Manager”
  - Sep 2015 “Strategic Planning”
  - Sep 2015 “The Art of Public Speaking and Personality development”
  - Dec 2015 “Key Performance Indicators – KPIs”
- Training programs of Thai Institute of Directors (IOD)
  - Anti-Corruption: The Practical Guide (ACPG) Class 17/2015
  - Company Reporting Program (CRP) Class 2/2011
  - Board Reporting Program (BRP) Class 5/2011
  - Effective Minute Taking (EMT) Class 19/2011

**Work Experiences**

- 2008 – Present : Company Secretary/Secretary of the Board of Director, Phol Dhanya Plc.
- 2014 - Present : Secretary of Risk Management Committee, Phol Dhanya Plc.
- 2011 - 2012 : Secretary of Nominating and Compensating Committee, Phol Dhanya Plc.
- 2009 - 2013 : Secretary of Sub-Risk Management Committee, Phol Dhanya Plc.
- 2008 - 2013 : Secretary of Executive Committee, Phol Dhanya Plc.
- 2003 - 2008 : Operation Administration/Contract Administration Manager, Picnic Corporation Plc.
- 2001 - 2003 : Assistant to Procurement Manager/Executive General Manager Secretary, BGES Engineering System Plc.
- 1998 - 2000 : Admin Supervisor, Pioneer Air Cargo Co., Ltd.

**Other directorship position / Other position at present :**

Subsidiaries company : None  
 Other listed company : None  
 Non-listed company : None

**Number of Shares Held as of February 29 , 2016 :**

Personally : None  
 Spouse and minor children : None

**Family relationship among Executive**

None

# Nature of Business

Phol Dhanya Public Company Limited, hereafter “the Company” or “PHOL”, and its subsidiaries are distributors of Occupational Safety, Health, and Environment products. Over 35 years, The Company is one of the leading comprehensive distributors of more than 3,000 safety products under well-recognized brands binding more than 4,000 loyalty customers. The Company is appointed as a distributor of more than 30 brands and is a sole distributor for such brands as King’s, Microgard, and Ansell. Moreover, it has also successfully developed its house-brands, including Synos and ENV-SAFE.

To support its future growth, it has expanded into environment business by selling water treatment equipment for home-use and industrial-use, by designing, manufacturing, construction and installing water treatment systems, as well as by selling treated water in the form of concession contract.

These 3 groups of products consist of the following :

**1. Occupational Safety, Health and Environment Products. (SAFETY)** safety for workers or to enhance safety in the workplace. The Company’s product distribution is divided into two groups as follows:

**1.1 Personal Protective Equipment (PPE).** This product is for the person or workers used to wear on any part(s) of their body during work operation in order to prevent from any dangers that may arise from the working environments such as dangers from heat, intense light, sound, toxic, and chemical substance. These personal protective equipment can be used to protect workers from head to toes such as helmet, safety eye glasses, ear plugs, face shield, safety gloves, shoes, firefighting clothing and other protective equipment.

Example



**1.2 Safety and Environment Products.** These products is used to enhance safety in the working place such as toxic gas and flammable gas detector, emergency eye & body washer, chemical containment, moving & transfer equipment, ventilator, safety lock, and safety sign.

Example



**2. Control Environment Products. (CE)** Control Environment Products are used to control the environment for the cleanliness and safety in the workplace, such as Hospital, Cleanroom for Pharmaceutical industry, Cleanroom for medical devices manufacturing industry, Cleanroom for electronic component manufacturing industry, Cleanroom for automobile components manufacturing industry, and etc. Products in this category includes cleaning equipment, antistatic device, control environment gloves, clean room stationary, clean room clothing and clean room suit.

Example



### 3. Water Solution Products. (WATER) The Company has categorized the operations into the following 4 main sectors:

3.1 The distribution of machinery and equipment related to water treatment system used in industrial and household level such as sediment filtration device and chemical, water pumps, water storage tank, water treatment system kits (Module), finished water filter for household consumption, and etc.

#### Example



Water Purifier



Industrial Water Treatment



Machinery and Equipment

3.2 The treated water distribution service for the customer used the same form as concession (Build-Own-Operate). The processes include from design to manufacture and the installation of the system, also installing the system for the customer in the ready-to-use manner, and harvest the revenue from the sale of the treated water to the customer according to the specified time in the contract, the company is the owner of the system.

3.3 Design, production and installation of water treatment systems. For the design, production and installation of water treatment systems, with focus on water management systems in order to meet the needs of water usage by treating water to meet proper quality standard or treating wastewater for reuse purpose, including the engineering design, structural design, installation and monitoring, laboratory, maintenance and after-sales services. Types of services cover Turnkey Services and Original Equipment Manufacturer (OEM) of module water treatment systems.

3.4 The maintenance services of the system and equipment associated with water treatment system.

### The Company's Business Objective

The Company's core business is the distribution of Occupational Safety, Health and Environment Products. (SAFETY). The key focus is on being a fully-integrated and professional product and service provider, with anticipation of sustainable growth. It is the Company's objectives in increasing the market share by way of product development and the enhancement of product lines in order to meet existing customers' and prospect customers' requirements. The Company aims to expand its customer base to increase market share in those groups. Besides, it is the Company's goal to increase the market share of products branded 'Synos', for both domestic and ASEAN markets, as well as to improve service offerings to cover all categories of customers' needs, for instance, safety equipment lease service, counseling, training and after-sales services.

With regards to Control Environment Products (CE), the Company aims to increase revenue through product development, increasing product variety and provision of special services in customized manufacturing based on customers' requirements in order to generate more revenue from existing and prospect customers. Apart from product distribution, it is also one of the Company's objectives to extend business operations to other relevant businesses in the future, for instance, design, construction and maintenance of the clean room.

In terms of Water Solution Products (WATER), the Company is determined to develop the business further to generate a higher proportion of revenue, with the focus on design, production and construction of water treatment system for consumption. Target customers are both direct consumers and industrial customers or any business premises. The Company also aims to develop knowledge and expertise in water treatment system to be able to offer fully-integrated services, from water production system, water treatment system and wastewater treatment system. Furthermore, the Company will also participate in the bidding event for water supply system projects for consumption in the public sector that will be geographically dispersed all over the country according to the government's policy that encourages thorough access to clean water for Thai citizens.

### Important changes and Developments

Phol Dhanya Public Company Limited or “the Company” was registered and established on January 4, 1961 with the initial objective to distribute grain and agricultural products. The Company had halted its operation for a certain period till 1979 when Mr. Chavalit Wangthamrong managed the Company’s operation and changed its business mission to the distribution of Occupational Safety, Health and Environment Products.

In 2007, The Company had improved its corporate structure to serve the future expansion and to become a public company limited. In October 2007, the Company moved into the new office building, which includes office and warehouse buildings.

In 2008, the Company become a public company limited and registered with an increase of capital from Baht 95 million to Baht 135 million to serve the Initial Public Offer (IPO), and changed the par value from Baht 5 to Baht 1. The Company received an approval to be a listed company on the MAI with the trading symbol of “PHOL” and started its trading in the MAI on December 9, 2010.

In 2009, The Company expanded its business into environment, the water treatment system, with the business partner and established PD Genesis Engineering Co., Ltd.(Subsidiary). However the operation of the subsidiary has failed to meet the target. As November 7, 2013, the subsidiary was registered to be dissolved and is currently under the process of liquidation.

In 2012, The Company established its branch in Muang district, Phuket Province. Currently, the company has 3 branches at Rayong in Eastern part, at Chiang Mai in Northern part and at Phuket in Southern part. In addition, the company expanded its business into ASEAN by establishing Aekar Co., Ltd. as its authorized distributor in Myanmar

In 2013, the Company established two subsidiaries, in January, established Phol Palladium Co., Ltd to distribute occupational health and safety products to government agencies, with the value of investments was accounted 99.99% of its registered capital of 1 million baht. In September, established Pholdhanya (Cambodia) Co., Ltd. to distribute the Water treatment products, with the value of investments was accounted 70 percent of its registered capital of Riel 1,200,000,000 (approximately USD 300,000 or Baht 9.5 million baht)

In 2014, the Company has established the subsidiary, Phol Water Co., Ltd. To operate in water treatment by providing an all-rounded services, including distribution, engineering design, construction and maintenance services for both the public and the private sector. The value of investments was accounted 99.99 percent of its registered capital of Baht 10 million.

The resolution of Annual General Meeting 2014 approved to increase ordinary share capital 27,000,000 shares at par value of Baht 1 each from the existing share capital of Baht 135 Million to Baht 162 Million in order to reserve for the stock dividend to the shareholders.

December 2015, the Company negotiated to acquire the Subsidiary, Pholdhanya (Cambodia) Co., Ltd. The remaining 30 percent of paid-up capital shares at a price of 1 baht, due to the operating result reported loss. The value of investments was accounted 100 percent. The Company plans to expand its field of Occupational Safety, Health and Environment Products, due to the potential of the market growing, apart from the water treatment products.

### Business Structure of PHOL Group



Note : PD Genesis Engineering Company Limited was registered to be dissolved and is currently under the process of liquidation.

# Revenue Structure

The company's consolidated revenue structure in 2013-2015, as follows:

| Type of Revenue  | 2015         |        | 2014*        |        | 2013*        |        |
|--|--------------|--------|--------------|--------|--------------|--------|
|  | Million Baht | %      | Million Baht | %      | Million Baht | %      |
| 1. Occupational Safety, Health and Environment Products (SAFETY) | 715.45       | 77.94% | 675.77       | 83.69% | 635.04       | 81.76% |
| 2. Control Environment Products (CE)                             | 104.82       | 11.42% | 98.11        | 12.15% | 105.71       | 13.61% |
| 3. Water Solution Products (WATER)                               | 94.64        | 10.31% | 29.13        | 3.61%  | 33.12        | 4.26%  |
| 4. Other revenue   | 3.04         | 0.33%  | 4.48         | 0.55%  | 2.79         | 0.36%  |
| Total  | 917.94       | 100%   | 807.49       | 100%   | 776.67       | 100%   |

Note : \* The Company had reclassified the type of revenue during SAFETY products and CE Products, so the revenue structure had changed from year 2013 and 2014.

# Industry Condition and Competition

## Occupational Safety, Health and Environment Products

The business that distributes products, which are in the field of Occupational Safety, Health and Environment Products, is linked to Thailand's industrial economy, as the products are normally used in industrial-related locations and by workers, who operate in those locations. This means when the industrial economy is growing extensively, the demand of the mentioned products should be higher as well. In the present days, these products become more of a necessity due to various reasons, such as law enforcement or the company's desire to create operational quality, and/ or production standard, as well as the responsibility to create safe and health working environment for their workers. All of these have encouraged large, medium, and small industrial entrepreneurs to pay more attention to the safety and health of workers and create better working environment to ensure higher safety for the workers.

With reference to the Office of the National Economic and Social Development Board's data, Thailand's economy in 2015 has grown by 2.8%, as opposed to 0.8% in 2014. The industrial sector growth has risen by 0.9% and the manufacturing production index has increased by 0.3%, for instance, automotive industry, rubber and plastic industries, petroleum industry, and food and beverage industry. Meanwhile, industries with lowered MPI are hard disk drive industry, electrical appliance industry and machinery. Over the course of 2015, the Company's customers in key industries still encountered a certain degree of economic slowdown domestically and internationally, which has gradually been recovering from such a state. Nonetheless, the Company's customers are quite diverse in several industrial groups, potentially protecting the Company from adverse impact from slumps in any particular industries. Apart from industrial customers, the Company's other groups of customers are government offices and state enterprises. In response to this, the Company has developed new products and services in order to satisfy customers' needs, while at the same time uplifting the Company's competitive advantages. In 2015, the Company has generated revenue from distributing products and services in the SHE group for a total of 715.45 million Baht; a 5.87% increase from 2014.

It is likely that the Thai economy has shown signs of improvement in 2016, pushed forward by the urge to spend budgets from the public sector and the government's economic stimulation protocols, especially in the infrastructure investment projects. However, there is still a certain extent of limitations in the economic expansion due to a rather slow global economic recovery, sector will improve to a better condition than 2015 due to a better economic landscape resulting from the expansion of the manufacturing industry for domestic consumption. Industrial groups that are the Company's major customers are the automotive industry, and it has been anticipated that the automobile production volume will increase by 12.43% from 2014; electrical and electronics industries, whose production capacity will rise by 3-5%; petrochemical industry, despite the change in crude oil price, growth is somewhat anticipated in accordance with the GDP and the industrial landscape; construction industry will also experience higher growth from the government's investment in several infrastructure projects and growth of various industrial groups. All of these are contributors enabling the Company to sustain its growth.

The competition in Occupational Safety, Health and Environment Products has currently been heightened compared to previous years, as Thailand is still a significant production base covering all industries. With a lot of industrial plants that tend to continually increase in numbers and more strict Safety and Occupational Health laws and regulations, Thailand has seen higher demand for Occupational Safety, Health and Environment Products. This induces more players into the market. However, most of the domestic competitors are small distributors who are unable to offer a complete range of such products. Therefore, PHOL still has advantages over its competitors in that it can provide a broad range of products in a large volume. Price competition usually occurs in the market in which customers do not emphasize quality. In response, PHOL will find new manufacturers or distributors that can offer more competitive prices. However, in the quality-focused market, the Company still maintains its competitiveness, as its sell high-quality, widely-accepted products.

In addition, the Company has acquired lots of hands-on experience through its long history in this business. With its performance that has been accepted by both trading partners and clients, its improved process to procure new products, its development of its house-branded products, and its devotion in educating its staff to be knowledgeable in safety products and to be able to give proper recommendations to a broad range of clients, PHOL is highly confident in its wide competitive edge. Furthermore, the Company's focus on ensuring customer satisfaction for its more-than-4,000 existing customers, the company has maintained its market share and strong relationships with customers. In addition, expanding its distribution channel to support new customers and the ability to manage inventory of the company, also add more to its competitive advantages over its counterparts.

## Control Environment Products

The Company's key customers in Control Environment Products business are mostly in the electronics industry. In 2015, the electric and electronics industries have experienced a slowdown compared to 2014, with a drop in MPI by 7.93% due to the fact that the domestic purchasing power and the export market have not recovered, as well as the impact from major manufacturers' relocation of production base to other ASEAN countries. Regarding competition, because of the slump in the electronics industry, the majority of customers have been attempting to cut production costs, resulting in more severe price competition than before. However, the Company has revisited its strategic directions to better cope with the situation, emphasizing on retaining potential customers and enhancing competitive edge by way of forming collaborations with manufacturers in order to be able to produce goods to match with each of the customers' needs, and thus enabling the Company to sustain growth in this business. Apart from product distribution, it is also one of the Company's objectives to extend business operations to other relevant businesses in the future, for instance, design, construction and maintenance of the clean room.

## Water Solution Products

Water is considered an essential resource for life, not to mention its several other benefits in terms of consumption, agriculture, industry, natural resources, energy sources, as well as society and culture. Currently, Thailand's water circumstance is in a critical state, be it water shortage, flood, and wastewater. All of which are pressing problems causing damages to the economic system and society as a whole. Hence, related bodies have placed emphasis on water management to prevent possible impact from the issue.

It is the government's policy in improving and managing the country's water resources for a timely and effective water management and ultimately to alleviate water shortage problem. Thus, budgets have been allocated for the construction of water supply system in communities especially in affected areas all over the country. With this, in 2015 the Company has put efforts in participating in the bidding event for the construction of water treatment systems. As of December 31, 2015, the Company has won 90 projects, with the total value of approximately 227 million Baht. In this regard, some portions of the work were already completed with the realizable revenue of 22 million Baht in 2015.

Speaking of water management service for industrial customers in different industrial groups in 2015, the overall economic condition is still in a recovery period and private sector investments have been rather slow, and therefore the Company's customers have also reduced budget allocation for investing in the water treatment system. Nevertheless, the Company has actively been following up on project proposals, maintaining relationships with customers and ensuring the quality of after sales service with existing customer base, allowing the Company to generate growth among industrial customers on a continuous basis.

There is still more room for expansion in the water treatment business sector, where the company is seeing moderate competition in the field from large, medium, and small-sized companies, which remain to be in small number and have different target groups and provide different types of services. The company, in the mean time, has been focusing on providing services to small and medium sized companies and has the advantage of its capability to make more investments and credibility to appease customers' confidence, making the company more competitive than other offices in the field.

# Management Discussion and Analysis

## Overview

Consolidated financial statement for the year ending December 31, 2015 of Phol Dhanya Public Company Limited (the Company) shows revenue from sales and services of 914.90 million baht, increasing by 111.89 million baht or 13.93%, compared with 803.01 million baht of previous year, The increase of revenue is sales of Occupational Safety, Health and Environment Products and revenue from services of Water Treatment Products for both public and private sectors.

However, the company's selling and administrative expenses were increase amount to 25.03 million baht or 14.62%, so the Company's consolidate net profit (attributable to owners of the parent) was 34.31 million baht, decreasing by 4.54 million baht or 11.69%, compared with 38.86 million baht of the previous year.

## Operating performance

Unit : million baht

|   | 2015          | 2014          | % YoY         |
|---|---------------|---------------|---------------|
| Revenue from sales  | 847.39        | 797.71        | 6.23%         |
| Revenue from rendering of services                          | 67.51         | 5.30          | 1174.28%      |
| Other Revenue   | 3.04          | 4.48          | -32.15%       |
| <b>Total Revenue</b>  | <b>917.94</b> | <b>807.49</b> | <b>13.68%</b> |
| Cost of sales   | 624.78        | 580.99        | 7.54%         |
| Cost of rendering of services                               | 49.84         | 4.18          | 1093.15%      |
| <b>Total Costs</b>  | <b>674.62</b> | <b>585.17</b> | <b>15.29%</b> |
| <b>Gross Profit</b>   | <b>240.29</b> | <b>217.85</b> | <b>10.30%</b> |
| <b>Gross Profit (%)</b>                                     | <b>26.26%</b> | <b>27.13%</b> | <b>-0.86%</b> |
| Total Selling & Administrative Expenses                     | 196.31        | 171.28        | 14.62%        |
| EBIT  | 47.02         | 51.05         | -7.90%        |
| <b>EBIT (%)</b>   | <b>5.12%</b>  | <b>6.32%</b>  | <b>-1.20%</b> |
| EBIT (%)  | 34.31         | 38.86         | -11.69%       |
| <b>Net Profit (%)</b>                                       | <b>3.74%</b>  | <b>4.81%</b>  | <b>-1.07%</b> |
| Basic earnings per share (Baht)                             | 0.21          | 0.24          | -11.69%       |
| Weighted average number of ordinary shares (Million shares) | 162.00        | 162.00        |               |

## Revenue

Unit : million baht

| Revenue structure   | 2015          |             | 2014*         |             | % YoY         |
|---|---------------|-------------|---------------|-------------|---------------|
|   | Amount        | %           | Amount        | %           |               |
| Occupational Safety, Health and Environment Products (SAFETY) | 715.45        | 78%         | 675.77        | 84%         | 5.87%         |
| Control Environment Products (CE)                             | 104.82        | 11%         | 98.11         | 12%         | 6.83%         |
| Water Solution Products (WATER)                               | 94.64         | 10%         | 29.13         | 4%          | 224.93%       |
| <b>Total revenue from sales and services</b>                  | <b>914.90</b> | <b>100%</b> | <b>803.01</b> | <b>100%</b> | <b>13.93%</b> |

Note:\* The Company had reclassified the type of revenue during SAFETY Products and CE Products, so the revenue structure had changed.

In 2015, the company's sales and services were 914.90 million baht, increasing by 111.89 million baht or 13.93%, compared with 803.01 million baht of previous year.

Revenue from sales and services of Occupational Safety, Health and Environment Products (SAFETY) were 715.45 million baht, increasing by 39.68 million baht or 5.87%, due to the increase revenue of sales to government sector. In addition, the increase in the revenue was from new products and services to petrochemical industry and from new customers in new areas. However, in general production of each sectors are quite weak in relation to country's economy, so the revenues from each sectors were quite similar to the previous year while sales in some sectors were decrease.

Revenue from sales of Control Environment Products (CE) were 104.82 million baht, increasing by 6.70 million baht or 6.83%. Main customer of CE products were in electronics industry. Eventhough, some companies had been relocated to other regions and the whole electronic industry had shrunk, revenue from CE sector was still growing as we can keep good potential existing customers.

Revenue from Water Treatment Product (WATER) were 94.64 million baht, increasing by 65.51 million baht or 224.93%, comprised of 31.69 million baht from revenue from sale of Water Treatment systems and equipment and 62.95 million baht from revenue of service, comprised of 5.59 million baht from sale of recycling waste water system and 57.36 million baht from the construction services of water recycling system for both public and private sectors.

#### **Cost of Sales and Services**

In 2015, the company's cost of sales and services amounted to 674.62 million baht comprising of 624.78 million baht of cost of sales and 49.84 million baht of cost of services. Cost of sales and services increase according to increase of revenue from sales and services. Cost of sales and services was accounted for 73.74% of total sales and services revenue, resulting in 26.26% of gross profit margin.

#### **Selling and Administrative Expenses**

In 2015, selling and administrative expenses amounted to 196.31 million baht comprised of selling expenses amounted to 101.59 million baht and administrative expenses amounted to 94.04 million baht. Selling expenses was increase due to the increase from revenue from sales. Administrative expenses amounted to 94.04 million baht included loss on impairment of asset 5.93 million baht from the project in Mae Ka.

In 2015, the company's cost of financial amounted to 4.25 million baht, increasing by 1.60 million baht or 60.41%, due to the increase in short-term loan from financial institution by issuing Bill of Exchange amounted to 100 million baht and promissory note amounted to 40 million baht to support the water treatment business

#### **Net profit**

The Company's consolidate net profit (attributable to owners of the parent) was 34.31 million baht, accounted for net profit margin 3.74%

**Profitability Ratio**

| Consolidated            | 2015   | 2014   |
|-------------------------|--------|--------|
| Gross Profit Margin     | 26.26% | 27.13% |
| Operating Profit Margin | 6.70%  | 7.89%  |
| Net Profit Margin       | 3.74%  | 4.82%  |
| Return on Equity        | 10.61% | 12.27% |

The Company's profitability proportion in 2015 has decreased from the year before, mainly because of the rising gross profit margins in safety and occupational health products and services, and lower gross profit margins generated from the water purification system projects of the government sector, resulting in 26.26% gross profit margins in 2015. On the other hand, with increasing sales and administrative expenses, and financial costs, the Company's net profit margin is 3.74% with the return on equity of 10.61%, which has dropped slightly from 2014.

**Financial Position**

|                      | Unit : million baht |         |                   |         |          |
|----------------------|---------------------|---------|-------------------|---------|----------|
|                      | December 31, 2015   |         | December 31, 2014 |         | % Change |
|                      | Amount              | %       | Amount            | %       |          |
| Assets               | 667.40              | 100.00% | 550.37            | 100.00% | 21.26%   |
| Liabilities          | 346.10              | 51.86%  | 229.69            | 41.73%  | 50.68%   |
| Shareholders' equity | 321.30              | 48.14%  | 320.68            | 58.27%  | 0.19%    |

**Assets**

As of December 31, 2015, the company's total assets were 667.40 million baht, which increase by 117.03 million baht or 21.26%, mainly due to the increase in cash and cash equivalent amount to 27.52 million baht, trade account receivable was increase 22.99 million baht unbilled receivables and advance payment to sub-contractors amounted to 39.04 million baht and net inventories was increase 11.63 million baht.

Non-current assets were increase, due to the increase from property, plant and equipment from investment assets and demonstration goods in service center for safety products amount to 16.02 million baht, the building improvements amount to 2.49 million baht and acquisition of new vehicles amount to 5.76 million baht. However, there was disposal of vehicles amount to 4.35 million baht and 14.48 million baht for depreciation and amortization during the period.

**Trade receivables-net**

In 2015, the Company recorded net trade receivables of 149.89 million baht, which increased by 22.99 million baht in the previous year basis following higher sales. Average day receivable was 55.22 days, close to that in the previous year at 52.10 days. The Company has a policy to allow minimum customer credit term for 30 days. The credit term for individual customer is considered based on past performances of the customer, purchase amount, and past payment records. Provision for doubtful accounts is calculated on the outstanding of overdue trade receivables that exceed 180 days and has no movement on a case-by-case basis, and it is set up at 100% of the outstanding overdue amount. In 2015, the Company recorded no additional provision for doubtful accounts compared to the previous year.

**Inventories-net**

The Company recorded net inventory of 227.50 million baht, increasing from the previous year by 11.62 million baht, or 5.38%, as a result of higher purchase order and increasing from construction contracts in progress. Average inventories period was 119.95 days, decrease from 126.37 days in the previous year.

The Company calculated provision for obsolete inventory based on the aging and status of inventories, applying the provision for highly-depreciable inventory used more than 1 year at 50% of the balance inventory value and the provision for highly-depreciable inventory used more than 2 years or defected inventories at 100% of the balance inventory value. In 2015, the Company's allowance for diminution in value of inventories increased by 1.10 million baht from the previous year.

**Property, plant and equipment – net**

In 2015, Property, plant and equipment - net was 140.69 million baht, increase by 11.52 million baht from 2014, mainly due to investment assets and demonstration goods in service center for safety products amount to 16.02 million baht, acquisition of new vehicles amount to 5.76 million baht and total investment in other assets amount to 4.11 million baht. However, the assets were decrease amount to 14.48 million baht for depreciation and amortization during the period.

**Liabilities**

The company's total liabilities as of December 31, 2015, were 346.10 million baht which increase by 116.41 million baht or 50.68%, mainly due to the increase in short-term loan from financial institution amount to 98.18 million baht from bill of exchange and trade payables and other payable were increase 20.16 million baht. Long-term liabilities under finance leases was increase 4.16 million baht from acquisition of new vehicles for operation and employee benefit obligations was increase 2.53 million baht. However, long term loan from financial institutions were decrease 6 million baht.

**Bank overdrafts and short-term loans from financial institutions**

The Company recorded Bank overdrafts and short-term loans from financial institutions of 139.13 million baht, increasing from the previous year, mainly due to the issued unsecured bill of exchange to major investors and financial institution amount to 100 million baht, bearing interest at the rate of 3.55%, maturity date on April 1, 2016. The company used for working capital required for water treatment projects.

**Account payable-net**

The Company recorded account payable of 112.22 million baht, comprising of domestic account payables of 24.54 million baht and foreign account payables of 87.68 million baht. Average Day Account Payable in 2015 rose to 87.54 days from 72.07 days in the previous year.

**Shareholders' equity**

As of December 31, 2015, Shareholders' equity of the company was 321.30 million baht, unappropriated retained earnings was decrease due to the dividend paid amount to 32.40 million baht and the resulting from net profit was 34.31 million baht. In 2015, the Company had debt-to-equity ratio of 1.07 times, increased from 0.71 times in 2014, due to the increase in liabilities.

**Liquidity ratio**

|                                    | 2015   | 2014   |
|------------------------------------|--------|--------|
| Current Ratio (times)              | 1.58   | 1.97   |
| Account receivable turnover(times) | 6.61   | 7.01   |
| Average collection period (days)   | 55.22  | 52.10  |
| Account payable turnover(times)    | 5.66   | 5.70   |
| Average payment period (days)      | 64.47  | 64.08  |
| Inventory turnover(times)          | 3.04   | 2.89   |
| Average inventories period (days)  | 119.95 | 126.37 |
| Cash cycle(days)                   | 110.69 | 114.39 |

**Cash Flow**

| Cash Flow  | Unit : million baht |                   |
|--|---------------------|-------------------|
|  | December 31, 2015   | December 30, 2014 |
| Cashflow from (used in) operating activities         | (23.21)             | 32.37             |
| Cashflow from (used in) investing activities         | (4.29)              | (2.59)            |
| Cashflow from (used in) financing activities         | 55.20               | (33.14)           |
| Net increase (decrease) in cash and cash equivalents | 2.39                | (44.25)           |
| Cash and cash equivalents at the end of the year     | 59.14               | 31.62             |

The Company had net cashflow from operating activities amounted to 4.61 million baht in which the profit from operations before change in operating assets and liabilities amounted to 71.21 million baht. Assets and liabilities from operation were changed mainly due to increase in trade and other receivables amounted to 31.91 million baht, unbilled receivable and advance payment to sub-contractors increase 39.04 million baht and increasing in inventories amounted to 15.20 million baht, and trade and other payable were increase by 6.68 million baht.

Cashflow used in investment activities amounted to 4.29 million baht which was cash for acquisition of fixed assets and amounted to 6.20 million baht and additional of leasehold right 0.45 million baht. However, cash inflow were from disposal of assets amount to 1.69 million baht and interest received amount to 0.41 million baht.

Cashflow from financing activities amounted to 55.20 million baht due to the increase in short-term loan from financial institution amounted to 98.18 million baht, repayment of long-term loan amounted to 6 million baht, interest payment amounted to 4.22 million baht and dividend paid amount to 32.40 million baht.

**Trends of Operating Performance in 2016**

In 2016, the Company has anticipated that the operating performance will improve due to a number of supporting factors; accelerated spending, government investment, and the recovery of the export sector from the improved economic condition in several countries, leading to more sales orders of safety, occupational health and environmental products from the manufacturing sector in each industrial group. The Company still keeps its focus grounded on retaining existing customer base with high potential and increasing the market share in key customer segments such as automotive and petrochemical industries. In this regard, collaborations are formed with manufacturers of goods in developing products that better satisfy customers' needs. For public sector customers, the Company has prepared products for the bidding in a number of government agencies and is very confident in the competitiveness of the products. Moreover, budgets for the construction of community water supply system allocated from the government have contributed significant growth to the Company's water purification business in 2016.

# Risk Factors

Well aware of the importance of risk management and systematic and efficient risk control, the Company determined a risk management structure and a written policy mainly to prevent and manage risk events and also determined risk management practices correspondent to the principle of good corporate governance.

Risk management is a critical process that the Company and its subsidiaries prioritize in their management to ensure sustainable organization growth. Consequently, to ensure that business risks are properly controlled and managed by executives in all levels.

Risk Management Committee tracks and monitors enterprise-wide risk management plan to make sure that the organization efficiently manages and controls risks in acceptable levels according to Risk Management Policy, which is to be regularly revised to cover extensive aspects of risk factors and events. Material details of risk management process of the Company can be shown in the followings:

## 1. Risk from fluctuation in foreign currency exchange rates

The company's products were imported directly from an overseas supplier. In 2013-2015, the company imported products accounted for 67%, 69%, and 68% of the total sales order, respectively. The purchase orders and payments are mainly made in US dollar and Singapore dollar, while all products were sold locally. Therefore, the company may be subject to the risk of fluctuations in foreign exchange rate, which could affect cost of goods sold and gross profit of the company. The company had considered the effects of the exchange rate and had set up accounts to buy and sell forward contracts with financial institutions to protect itself against such risk. The accounts covered all foreign trade payables for the period. As of December 31, 2015, the forward accounts stood at Baht 220 million and USD 1.15 million. The company bought forward contracts and monitored the exchange rates regularly to limit its exposure to exchange rate risk. The results of this risk management were apparent in the 2013-2015 financials, where the profit(loss) from exchange rate was baht (2.09) million, baht 2.06 million and Baht (0.68) million, respectively. In addition, when changes in the exchange rate caused an increase in cost of goods sold significantly, the company made adjustments to its prices to reflect the market conditions and notified its customers in advance so that the exchange rate volatility did not affect the costs significantly.

## 2. Risk from loss in becoming a distributor of the important brands

The company is a distributor of the occupational safety, health, and environment products with suppliers who are manufacturers or distributors with their brand over a 30-year period. The top 3 brands made up 34% of the total sales revenue in 2015. Therefore, if the company is losing the rights to sell these brands, it may cause significant impacts on the total sales of the company. Nonetheless, the company had always maintained a robust sales growth.

In addition, the company had developed and improved its distribution channels to cover its target market, including the image of professional distributor of the occupational safety, health, and environment products in order to enable the brand owners to have confidence in the company, and the company continues to maintain its status as a distributor of products.

Furthermore, the Company also has a policy to reduce the risks and the damage arising from the loss in becoming a distributor by developing its own brand as well as importing new brands constantly to cover all types of customers. In 2015, the Company had its own brand of products is more than 200 items, representing revenues of approximately 10% of revenue from sales and services.

In 2014, for safety shoes products, the company had been appointed to distributor of brand "PUMA Safety", the famous brand in the world.

## 3. Risk from account receivables

The products distribution of the Company in 2013-2015 reported the credit sales at 95% of the total sales and services. The distribution was in the form of providing credit for payment. Thus, a customer's bad debt or doubtful account with a significant amount may lead to an effect on the Company's liquidity and operating results. Thus, the Company's policy focuses controlling of quality of account receivables. As for new customers (except for major customers as generally accepted and well-known juristic entity) shall order products in cash for a certain period prior to a consideration of granting credit terms.

In addition, the Company also has a strict credit policy by consistently revising credit terms of the customers. Thus, in 2014-2015, no doubtful accounts and in 2013, the Company's doubtful accounts were at 0.17% of the total credit sales, respectively. As for the allowance for doubtful accounts policy of the Company is performed through the recording of the allowance for doubtful

accounts which is estimated from the amount of debts which may occur from the missing target of the debt collection based on the past debt collection data and the current situation of the outstanding accounts as of the date in the balance sheet. This will be considered with the account receivables with the debt period of over 180 days and have no movement. The allowance for doubtful accounts may be accounted for 100% of the total outstanding for each account

#### **4. Risk from procurement system and inventory management**

The Company's products consist of more than 3,000 items with the inventory turnover rate at around 80%. Some of the items are popular among the customers and sometimes there is a shortage of those items or the remaining of some items in the storage due to the change of the demand of the market. The impact from the price competition has an impact on the inventory turnover rate and leads to the remaining of the products in the stock. However, the Company has established the plan for sales promotion and expansion of distribution channels in terms of the Company's branches and international markets. In addition, the Company has a policy to develop service efficiency with the supply chain system management and the utilization of products management system in the form program development of the Company's existing programs such as the Warehouse Management System (WMS), the ERP, and the development of the MRP system efficiently manage the warehouse which will serve the demand of the customers and strengthen their confidence toward the Company's services. The Company believes that the improved and continuous developed programs will serve the competitive environment, increase the efficiency of the warehouse management, and increase the inventory turnover of the products and the cost management with the utmost efficiency.

#### **5. Risk from Investment in Phol Dhanya (Cambodia) Co., Ltd.**

Initially, the Company's investment in the common stocks of its subsidiary, Phol Dhanya (Cambodia) Co., Ltd., accounts for 70%, valuing 210,000 USD, an equivalent of 6.77 million Baht. In 2015, Phol Dhanya (Cambodia)'s operating performance was still in a state of continuous loss, urging the Company to negotiate with joint ventures in purchasing the remaining 30% shares for the price of 1 Baht per share since the amount of loss had surpassed the amount of capital.

From the 2016 execution plan, after the Company's 100% investment in Phol Dhanya (Cambodia) Co., Ltd., the Company aims to expand the market for safety, occupational health and environmental products since there is high potential for market growth in this segment, other than water purification system business, in anticipation of improving the operating performance in the due course.

In 2015, the Company had allocated an additional reserve for an impairment of investment in Phol Dhanya (Cambodia) Co., Ltd. for 3.38 million Baht. In total, the amount of impairment reserve from the investment as of December 31, 2015 is 6.77 million Baht, according to the separated financial statement.

#### **6. Risks Arising from the Construction of Water Supply Systems**

##### **6.1 Risks Arising from Delayed Constructions**

As a common practice, the contract in which the Company renders services to each employer will clearly specify the exact due date for delivery. Some projects might experience some delays due to the inability to manage the construction projects as committed or other uncontrollable external factors such as natural disasters. In case the cause of delays are borne of the Company as a contractor, the Company will have to bear additional expenses from possible fines charged by the employer as stated in the contract, which will affect the project's profitability.

The Company is well aware of this issue and thus has prescribed risk management protocols by way of planning and specifying work schedule utilizing the principle of Critical Path Method (CPM), holding meetings for the proposal of work plan on a monthly basis, featuring a timely scheduling of project completion prior to the deadline, purchasing and procurement planning, and identifying risk management protocols to cope with unplanned incidents that might cause delays. Furthermore, the Company has collaborated with relevant parties in actively resolving issues in order to achieve timely completions as committed in the contract.

##### **6.2 Risks Arising from Obligations after Delivery**

The contract states that, for construction projects that have already been delivered, the Company is required to take responsibilities for any possible damages, deterioration and defects identified by the employer within 1-2 years after project delivery. Hence, the Company has to bear this obligatory risk during this particular period of time.

Nevertheless, the Company has prescribed the construction standards by way of assuring quality and compliance with the standards as well as the use of standardized materials and equipment. Also, the product warranty shall cover the warranty period of the projects in order to best minimize any potential risks arising from project warranties.

# Capital Shareholders

The Company's registered capital of Baht 162,000,000 divided into 162,000,000 common shares with a par value of Baht 1 per share and paid-up capital of Baht 161,999,986 with a par value of Baht 1 per share.

Major shareholders of the company as of February 29, 2016 are as follows:

| No. | Shareholders Name   | No. of             | %              |
|-----|---|--------------------|----------------|
| 1.  | <b>Group of Wangthamrong Family</b>   | <b>75,243,720</b>  | <b>46.45%</b>  |
|     | - Mr. Chavalit Wangthamrong   | 24,490,560         | 15.12%         |
|     | - Miss. Thanthida Wangthamrong  | 18,287,520         | 11.29%         |
|     | - Mrs. Naowarat Wangthamrong (The persons under Section 258 of Mr. Chavalit Wangthamrong) | 15,600,000         | 9.63%          |
|     | - Mr. Thanya Wangthamrong   | 12,000,000         | 7.41%          |
|     | - Miss. Thanatsiri Siriworasi (The persons under Section 258 of Mr. Thanya Wangthamrong)  | 4,224,000          | 2.61%          |
|     | - Mrs. Wannee Wangthamrong  | 641,640            | 0.40%          |
| 2.  | <b>Group of Jarutangtrong Family</b>  | <b>31,929,999</b>  | <b>19.71%</b>  |
|     | - Mr. Apichart Jarutangtrong  | 23,849,000         | 14.72%         |
|     | - Mrs. Ananya Jarutangtrong (The persons under Section 258 of Mr. Teeradej Jarutangtrong) | 6,830,999          | 4.22%          |
|     | - Mr. Teeradej Jarutangtrong  | 1,000,000          | 0.62%          |
|     | - Mr. Prasert Jarutangtrong   | 150,000            | 0.09%          |
|     | - Mrs. Thanida Jarutangtrong  | 30,000             | 0.02%          |
|     | - Mr. Natthapong Jarutangtrong  | 70,000             | 0.04%          |
| 3.  | <b>Mr. Wiroj Tangsatapornpong</b>   | <b>2,843,100</b>   | <b>1.76%</b>   |
| 4.  | <b>Group of Chunhajinda Family</b>  | <b>2,840,000</b>   | <b>1.75%</b>   |
|     | - Mr. Pornchai Chunhachinda   | 1,310,000          | 0.81%          |
|     | - Mrs. Saowanee Chunhajinda (The persons under Section 258 of Mr.Pornsak Chunhajinda)     | 696,000            | 0.43%          |
|     | - Miss Siriporn Chunhajinda   | 700,000            | 0.43%          |
|     | - Mr. Pornsak Chunhajinda   | 134,000            | 0.08%          |
| 5.  | <b>Mr. Utain Pattananipol</b>   | <b>2,400,000</b>   | <b>1.48%</b>   |
| 6.  | <b>Thai NVDR Co., Ltd.</b>  | <b>2,234,580</b>   | <b>1.38%</b>   |
| 7.  | <b>Mr. Surachai Fongamornkul</b>  | <b>1,590,000</b>   | <b>0.98%</b>   |
| 8.  | <b>Group of Vongtanakiat Family</b>   | <b>1,507,540</b>   | <b>0.93%</b>   |
|     | Mrs. Nanthiya Vongtanakiat (The persons under Section 258 of Mr. Pramuk Vongtanakiat)     | 1,422,540          | 0.88%          |
|     | Mr. Pramuk Vongtanakiat   | 85,000             | 0.05%          |
| 9.  | <b>Mr. Supot Arunwanichporn</b>   | <b>1,110,000</b>   | <b>0.69%</b>   |
| 10. | <b>Mr. Peerapat Posayanon</b>   | <b>1,048,740</b>   | <b>0.65%</b>   |
| 11. | Other   | <b>40,587,867</b>  | <b>25.05%</b>  |
|     | <b>Total</b>  | <b>161,999,986</b> | <b>100.00%</b> |

## Summary of Changes in Percentage of Shareholding for ended December 30, 2015

| No.                       | Shareholders Name                                 | As December<br>30, 2014 | As December<br>30, 2015 | Increase (Decrease) |
|---------------------------|---|-------------------------|-------------------------|---------------------|
| <b>Board of Directors</b> |   |                         |                         |                     |
| 1                         | Prof. Dr. Pornchai Chunhachinda <sup>1</sup>      | 1,230,000               | 1,288,000               | 58,000              |
| 2                         | Mr. Chavalit Wangthamrong                         | 24,490,560              | 24,490,560              | -                   |
|                           | Spouse  | 15,600,000              | 15,600,000              | -                   |
| 3                         | Mr. Teeradej Jarutangtrong <sup>2</sup>           | 4,749,000               | 1,000,000               | (3,749,000)         |
|                           | Spouse  | 18,830,999              | 6,830,999               | (12,000,000)        |
| 4                         | Assoc. Prof. Dr. Seksak Jumreornvong <sup>3</sup> | 24,000                  | -                       | (24,000)            |
| 5                         | Assoc. Prof. Dr. Ekachidd Chungcharoen            | 24,000                  | 24,000                  | -                   |
| 6                         | Mr. Noppadol Dheerabutrvingkul                    | 24,000                  | 24,000                  | -                   |
| 7                         | Mr. Pramuk Vongtanakiat, M.D. <sup>4</sup>        | 34,320                  | -                       | (34,320)            |
|                           | Spouse  | 1,488,240               | 1,422,540               | (65,700)            |
| 8                         | Mr. Boonchai Suwanvutthiwat                       | -                       | -                       | -                   |
| 9                         | General Chaiwat Satondee <sup>5</sup>             | -                       | 198,600                 | 198,600             |
| <b>Management Team</b>    |   |                         |                         |                     |
| 1                         | Mr. Pornsak Chunhajinda <sup>6</sup>              | 108,000                 | 134,000                 | 26,000              |
|                           | Spouse  | 696,000                 | 696,000                 | -                   |
| 2                         | Miss Prapaipit Viriyabhupha                       | 600,000                 | 600,000                 | -                   |
| 3                         | Mr. Payotorn Mungthong                            | -                       | -                       | -                   |
| 4                         | Miss Natchomkorn Puapansakul                      | -                       | -                       | -                   |
| 5                         | Mr. Thanya Wangthamrong                           | 12,000,000              | 12,000,000              | -                   |
|                           | Spouse  | 4,224,000               | 4,224,000               | -                   |

Note :

Directors <sup>1</sup> No.1 Prof. Dr. Pornchai Chunhachinda-Buy 1 Time 58,000 Shares on November 12, 2015<sup>2</sup> No.3 Mr. Teeradej Jarutangtrong and his spouse transfer of shares 15,749,000 to their son (Mr. Apichart Jarutangtrong) on January 27, 2015<sup>3</sup> No.4 Assoc. Prof. Dr. Seksak Jumreornvong transfer of shares 24,000 donated to "Pan Hoon Aom Boon" (Donating Shares to Charity project) for The Sai Jai Thai Foundation on February 24, 2015<sup>4</sup> No.7 Mr. Pornsak Chunhajinda and his spouse - Sale No.1 34,320 shares on March 23, 2015  
-Sale No.2 65,700 shares on March 24, 2015<sup>5</sup> No.9 General Chaiwat Satondee was appointed as director to replaced resigned director on October 12, 2015 – Buy 1 Time 150,000 shares and 48,600 of existing shares

Management Team

<sup>6</sup> No. 1 Mr. Pornsak Chunhajinda- Buy 1 Time 26,000 Shares on November 24, 2015**Distribution of Shareholding by Nationality**

The distribution of shareholding as of February 29, 2016, which is the latest closing date of the registered book of the Company as follows:

| Shareholders         | Total          |                    |            | Juristic Person |                  |              | Individual Person |                    |               |
|----------------------|----------------|--------------------|------------|-----------------|------------------|--------------|-------------------|--------------------|---------------|
|                      | No. of persons | No. of Shares      | %          | No. of persons  | No. of Shares    | %            | No. of persons    | No. of Shares      | %             |
| Thai Shareholders    | 1,461          | 161,999,986        | 100        | 5               | 2,383,900        | 1.47%        | 1,456             | 159,616,086        | 98.53%        |
| Foreign Shareholders | -              | -                  | -          | -               | -                | -            | -                 | -                  | -             |
| <b>Total</b>         | <b>1,461</b>   | <b>161,999,986</b> | <b>100</b> | <b>5</b>        | <b>2,383,900</b> | <b>1.47%</b> | <b>1,456</b>      | <b>159,616,086</b> | <b>98.53%</b> |

## The Subsidiary's shareholders

### Phol Palladium Company Limited

The subsidiary's issued and paid-up capital of Baht 1,000,000 divided into 100,000 common shares with a par value of Baht 10 per share. The shareholders are as follows:

| No. | Shareholders Name                  | No. of Shares  | %           |
|-----|------------------------------------|----------------|-------------|
| 1   | Phol Dhanya Public Company Limited | 99,997         | 99.997%     |
| 2   | Mr. Payotorn Mungthong             | 1              | 0.001%      |
| 3   | Miss Prapaipit Viriyabhupha        | 1              | 0.001%      |
| 4   | Mrs. Sugunya Wingworn              | 1              | 0.001%      |
|     | <b>Total</b>                       | <b>100,000</b> | <b>100%</b> |

### Phol Water Company Limited

The subsidiary's issued and paid-up capital of Baht 10,000,000 divided into 1,000,000 common shares with a par value of Baht 10 per share. The shareholders are as follows:

| No. | Shareholders Name                  | No. of Shares    | %           |
|-----|------------------------------------|------------------|-------------|
| 1   | Phol Dhanya Public Company Limited | 999,997          | 99.9997%    |
| 2   | Mr. Chavalit Wangthamrong          | 1                | 0.0001%     |
| 3   | Mr. Boonchai Suwanvutthiwat        | 1                | 0.0001%     |
| 4   | Mr. Pornsak Chunjajinda            | 1                | 0.0001%     |
|     | <b>Total</b>                       | <b>1,000,000</b> | <b>100%</b> |

### Pholdhanya (Cambodia) Company Limited

The subsidiary's issued and paid-up capital of Riel 1,200,000,000 approximately 300,000 U.S. dollars or 9.5 Million Baht, divided into 30,000 common shares with a par value of Riel 40,000 per share. Phol Dhanya Public Company Limited holds 100%

# Dividend Payment Policy

## Dividend payment policy of the Company

The Company has a policy of paying dividend at the rate of no less than 40 percent of net profit after deduction of corporate income tax, legal reserves and other necessary reserves in each year by considering net profit of the consolidated financial statements of the company. Nevertheless, such dividend payment rate may be subject to change depending on the investments plans, necessity and other appropriate in the future. A resolution of the Company's Board of Directors regarding the dividend payment must be proposed to the Shareholders' Meeting for approval, except for an interim dividend payment, which the Board of Directors may approve and then report to the next Shareholders' Meeting.

| Dividend history        | 2015        | 2014      | 2013   | 2012      | 2011      |
|-------------------------|-------------|-----------|--|-----------|-----------|
| Interim Dividend        | 0.08 Baht   | 0.08 Baht | 0.13 Baht  | 0.11 Baht | 0.10 Baht |
| Annual Dividend Payment | 0.12 Baht * | 0.12 Baht | 0.10 Baht  | 0.13 Baht | 0.10 Baht |
| Stock Dividend          | -           | -         | 5 Existing share :<br>1 Stock dividend<br>or 0.20 Baht | -         | -         |
| Earnings per share      | 0.21 Baht   | 0.24 Baht | 0.38 Baht  | 0.24 Baht | 0.21 Baht |
| Dividend Payout (%)     | 94.42%      | 83.39%    | 114.39%  | 71.32%    | 93.54%    |

Note : \* Approval at the Annual General Meeting 2016 and Ordinary Shareholders paying personal income tax shall be entitled to a tax credit 20/80 in according with Section 47 Bis of the Revenue Code.

## Dividend payment policy of its subsidiaries

The subsidiary's dividend policy is designated as the same its parent company. In normal circumstance, the company doesn't need money to invest or expand its business. The Board of Directors has a policy of offering its subsidiaries to propose the Shareholders' Meeting for approval of paying dividend at the rate of no less than 40 percent of net profit after deduction of corporate income tax, legal reserves and other necessary reserves in each year. Nevertheless, the Board of Directors of its subsidiaries may differ materially from such policies as appropriate and the necessity of its subsidiaries.

# Management Structure

## 1 Components of the Board of Directors

The number of the articles of association is determined by the shareholders' meeting. But the number of directors must not be lower than 5 persons, and no less than half of the directors must have permanent residency in the Kingdom of Thailand. Directors can be, but need not to be, shareholders of the Company. No less than 3 directors must be independent directors. Directors are appointed and relieved by the shareholder's meeting. All directors must have qualifications defined by the laws.

### Appointment of Directors

- The Meeting of shareholders administers voting for directors, applying the following criteria
  - (1) Each shareholder gets the voting right equal to the number of shares held (1 share = 1 vote)
  - (2) Each shareholder can use his/her voting right according to (1) to vote for one or many candidates, but cannot divide his/her voting rights to give to each candidate at will. In the case of appointing many directors, each shareholder can vote for a number of candidates up to the maximum number of directors that must be appointed, but cannot divide his/her voting rights to give to each candidate at will.
  - (3) Candidates with the top votes in the descending order will be appointed. The number of candidates appointed equal the number of directors needed to be appointed. In the case that two or more candidates share the same rank, Chairman of the Meeting will give a final vote to one of the candidates.
- Directors are to select among themselves one person to be Chairman. If the directors agree, they may select another or other persons to be Vice Chairman. Vice Chairman has responsibilities as defined in the articles of association and as assigned by Chairman.
- In the case that the director positions become vacant due to reasons other than expiration of terms, directors are to select new directors to assume the vacant position with the term equal to the remaining term of such position. Resolution to select new directors must consist of at least 3 /4 votes from the remaining directors.

### Termination of position

- In each of the general meeting of shareholders, 1/3 of the directors must be relieved. However, such directors can be reappointed.
- Aside from expiration of term, the position of directors is terminated when such director deceases, resigns, lacks desirable qualifications, has prohibited characteristics as specified by laws, is demanded to terminate the position by the shareholders' meeting, or is demanded to terminate the position by court order
- The director who wishes to resign from the director position is required to submit a letter of resignation to the Company. The resignation becomes effective since the day that such letter reaches the Company. The resigned director can, but need not to, notify the registrar of the public company
- The Meeting of shareholders may vote to terminate the director position prior to its expiration with the voting of no less than ¾ of the shareholders who attend the meeting and have the rights to vote and with the collective shares of no less than ½ of the total shares held by the shareholders who attend the meeting and have the rights to vote.

The Board of Directors comprises nine (9) members as follows:

| No. | Name  | Position              | Type                 | Start Date         |
|-----|---|-----------------------|----------------------|--------------------|
| 1   | Prof. Dr. Pornchai Chunhachinda <sup>1/</sup> | Chairman of The Board | Director             | September 12, 2007 |
| 2   | Mr. Chavalit Wangthamrong                     | Director              | Executive Director   | September 12, 2007 |
| 3   | Mr. Teeradej Jarutangtrong                    | Director              | Executive Director   | September 12, 2007 |
| 4   | Assoc. Prof. Dr. Seksak Jumreornvong          | Independent Director  | Independent Director | September 12, 2007 |
| 5   | Assoc. Prof. Dr. Ekachidd Chungcharoen        | Independent Director  | Independent Director | September 12, 2007 |
| 6   | Mr. Noppadol Dheerabutrvongkul                | Independent Director  | Independent Director | September 12, 2007 |
| 7   | Mr. Pramuk Vongtanakiat , M.D.                | Independent Director  | Independent Director | January 13, 2014   |
| 8   | Mr. Boonchai Suwanvutthiwat                   | Director              | Executive Director   | April 30, 2013     |
| 9   | General Chaiwat Satondee <sup>2/</sup>        | Director              | Director             | October 12, 2015   |

Miss. Saowapa Choorujiporn is the Board Secretary and Company Secretary.

Note:

<sup>1/</sup> No. 1 Prof. Dr. Pornchai Chunhachinda was appointed as Chairman of the Board since January 13, 2014.

<sup>2/</sup> No. 9 General Chaiwat Satondee was appointed as Director at the Board of Directors meeting No.6/2015 on October 12, 2015, in replacement of Mr. Thanya Wangthamrong who resigned on September 11, 2015.

#### Authorized Directors

Authorized signatories are Mr. Chavalit Wangthamrong, signing together with Mr. Teeradej Jarutangtrong with affixing the Company's seal.

Number or name of directors who are authorized signatories shall be two directors signing jointly, together with the Company's seal affixed. The Board has a power to determine and change the names of authorized signatories.

The Board has a power to authorize any director or directors or other person(s) to act on any specific matter on behalf of the Board of Directors and it may cancel or change such authority at any time.

#### Directors' Term on Board

At each Annual General Meeting of Shareholders, one-third of the total directors must retire from office. If it is not possible to divide the total number of directors evenly by three, the number closest to one-third must retire from the office. The directors retiring in the first and second years after the registration of the Company shall be selected by drawing. In subsequent years, the director who has been in the post longest shall retire. A director who retires under this procedure may be re-elected.

#### Scope of Authority of the Board of Directors

The Board of Directors is responsible to shareholders for the company's business, and supervision of the management of the business to meet goals and guidelines for the interests of its shareholders under the realm of ethics and takes into account the stakeholders' interests, including act in accordance with the rules and regulations set forth by the Stock Exchange of Thailand (SET), the Securities and Exchange Commission of Thailand (SEC), and the Capital Market Supervisory Board (CMSB) under the Securities and Exchange Act, B.E. 2535 and as amended by the Securities and Exchange Act (No. 4) B.E. 2551. The responsibilities of the Board of Directors are as follows:

1. The Board of Directors shall act in accordance with laws and regulations of the company, as well as the Shareholders' Meeting resolution. Directors must act with honesty, and protect the interests of shareholders.
2. To appoint or change the Company's authorized signatories.
3. To set the policies, strategies and directions for the Company as well as to govern the management to effectively perform their duties according to such policies, strategies and directions, in order to supremely increase economic value for the shareholders and for sustainable growth.
4. To review and approve significant transactions such as business plan, budget, large investment, management's authorities and any other transactions required by laws.
5. To determine the assessment criteria and to assess the performance of top executives compared to the defined objectives and action plans, as well as to define appropriate compensation for top executives.
6. To determine the policy, strategies, and guidelines for comprehensive risk management, as well as the monitoring and tracking of efficient risk management.
7. To put in place a reporting system that can compare actual results with the Company's objectives, as well as to report problems or obstacles to make possible the adjustment of action plans and strategies accordingly.
8. To put in place a sufficient and appropriate internal control system to ensure that transactions approved by authorized persons are recorded correctly and to put in place systems that can prevent mistreatment or misuse of the Company's assets.
9. To put in place reliable accounting, financial reporting and auditing systems.
10. To monitor and manage conflicts of interest and related transactions.
11. To supervise and ensure the compliance of the principle of good corporate governance and business ethics.
12. To report the Board of Directors' responsibilities for financial reports together with auditor's report in the Company's annual report. Such Board of Directors' report shall include the important subjects as specified in the Code of Conduct for directors of the listed company.
13. To appoint any person to carry out the Company's business activities under the Board's responsibility or give the person authority and/or within the agreed time period, and the Board can cancel, discharge or change this authority at any time.

## 2 Audit Committee

The Audit Committee is responsible for reviewing the company's financial reporting, reviewing the adequacy of the company's internal control and risk management systems, comply with all applicable laws, rules, regulations, including the preparation of reports or providing comments to the Board for approval or to propose to the Shareholders' Meeting as the case.

Audit Committee comprises three (3) members as follows:

| No. | Name                                   | Position                    |
|-----|--|-----------------------------|
| 1   | Assoc. Prof. Dr. Seksak Jumreornvong   | Chairman of Audit Committee |
| 2   | Assoc. Prof. Dr. Ekachidd Chungcharoen | Audit Committee             |
| 3   | Mr. Noppadol Dheerabutrvingkul         | Audit Committee             |

Audit Committee No.1 and No.3 have adequate knowledge and experience to review reliability of the Company's financial statements.

Miss. Natchomkorn Puapunsakul is an Audit Committee's secretary.

### Audit Committee's Term on Board

Audit Committee is subject to a three-year term. In the case that a member resigns from the position prior to the expiration of his term of office, a replacing person will hold the position only for the remainder of term of office of the resigning member.

### Scope of Authority of the Audit Committee

The Board of Directors' Meeting No. 2/2016, held on February 23, 2016, reviewed and approved to determine the scope, authority and responsibility of the Audit Committee as follows:

1. To ensure that the Company has fairly presented financial reports and fully disclosed information.
2. To ensure that the Company has the appropriate and effective internal control and internal audit systems maintains the independence of the internal audit system, approves the appointment, transfer, terminate the employment of the Chief of the Internal Audit Unit and other departments responsible for internal audit.
3. To ensure the Company's compliance with the Laws related to the Securities and Stock Exchange, the Requirements of the Stock Exchange of Thailand and the business of the Company.
4. To verify the correctness and completeness of the related matters or the matters which could cause conflict of interest.
5. To verify the Company's risk management.
6. To consider, select, propose, appoint and terminate the employment of any independent person and auditor approved by the Office of Securities and Exchange Commission to perform duty of auditing the company's account and to offer the consideration of the auditor including attending the meeting with the auditor without the meeting organizing department at least once a year.
7. To prepare and disclose the report of corporate governance of the Audit Committee publicly in the annual report of the Company signed by the Chairman of the Audit Committee.
8. To carry out any other tasks assigned by the Board of the Director as approved by the Audit Committee.
9. To review the Charter of the Audit Committee as necessary and appropriate at least once a year.
10. To review the report about the violation of business ethics and company's regulation.

## 3 Nomination and Compensation Committee

The Nomination and Compensation Committee consists of 3 members, at least 2 persons and Chairman of Nomination and Compensation Committee shall be independent directors.

The Nomination and Compensation Committee comprises three (3) members as follows:

| No. | Name                                   | Position  |
|-----|--|---|
| 1   | Assoc. Prof. Dr. Ekachidd Chungcharoen | Chairman of Nomination and Compensation Committee |
| 2   | Mr. Noppadol Dheerabutrvingkul         | Nomination and Compensation Committee             |
| 3   | Mr. Chavalit Wangthamrong              | Nomination and Compensation Committee             |

Mr. Pornsak Chunhajinda<sup>1</sup> is a Nomination and Compensation Committee's secretary

Note:

<sup>1</sup> The Meeting of the Board of Directors Number 11/2013 held on November 12, 2013 agreed to appoint Head of Human Resource Division to be Secretary of Nomination and Compensation Committee by position. At present, Mr. Pornsak Chunhajinda is the Head of Human Resource Division.

### **Nomination and Compensation Committee's Term on Board**

Members of the Nomination and Compensation Committee are subject to a three-year term beginning from the date of appointment. The member who retires on expiration of his term of office may be re-elected through the consideration according to Nomination rules and procedures. In addition to vacating office on expiration of term of office, a member of the Nomination and Compensation Committee shall vacate office upon death, resignation and dispossession of qualifications.

### **Duties and Responsibilities of the Nomination and Compensation Committee**

According to the Charter of the Nomination and Compensation Committee is responsible for the selection and the nomination of candidates to serve as Directors, Chief Executive Officer and Senior Executives, and provide suggestions and comments about the compensation management schemes to the Board of Directors for approval or to propose to the Shareholders' Meeting as the case.

The Board of Directors' Meeting No. 6/2015, held on October 12, 2015, reviewed and approved to determine the scope, authority and responsibility of the Nomination and Compensation Committee as follows:

1. Monitor the appropriateness of structures and compositions of the Board of Directors.
2. The Nomination Committee of the qualifying criteria for the nomination of directors and stipulate appropriate qualifications of Directors and Senior Executives from Head of Department and regulations for selecting candidates to hold the position of Directors and Senior Executives from Head of Department.
3. Review the qualifications of Directors and evaluate the performance of Directors whose term have completed and of Senior Executives from Head of Department.
4. 4. Stipulate methods and processes as a development for candidates with appropriate qualifications to hold the positions of Directors and Senior Executives from Head of Department.
5. Stipulate regulations and review remuneration structure of the Board of Directors, the Sub-Committees and Senior Executives from Head of Department by proposing to the Board of Directors to approve the remuneration of Senior Executives from Head of Department. The remuneration of the Board of Directors and the Sub-Committees shall be proposed to the meeting of the shareholders for approval.
6. Determine the evaluation regulations for Senior Executives from Head of Department.
7. Consider conditions of the issuance of new securities as appropriate and provide approval upon the Company's issuance of new securities to the Directors or staff and when the Directors or staffs receive the new securities of more than (five) 5% of the total allotted securities. There should be no Directors or employee receive the aforementioned allotted securities more than (five) 5%.
8. Provide answers and explanations concerning the remuneration of the Directors to the shareholders' meeting.
9. Evaluation of its own performance, the Nomination and Compensation Committee 1 time per year for presentation to the Board of Directors.
10. Annually prepare performance yearly report to the Board of Directors and shareholders' meeting.
11. To revise the Charter of the Nomination and Compensation Committee 1 time per year as necessary and appropriate.
12. To perform other duties as assigned by the Board of Directors and law regulations or as necessary and appropriate.

## 4 Risk Management Committee

Risk Management Committee was appointed to administer and manage risks efficiently according to the Company's corporate governance policy and the principle of Good Corporate Governance defined by the Stock Exchange of Thailand.

Risk Management Committee members included Chairman of Risk Management Committee, Directors, and Executive and/or external scholars who was appointed by Board of Director. The total membership of not less than five (5) members.

Risk Management Committee comprises five (5) members as follows:

| No. | Name   | Position  |
|-----|--|---|
| 1   | Mr. Teeradej Jarutangtrong                       | Chairman of Risk Management Committee           |
| 2   | Mr. Boonchai Suwanvuttivat                       | Risk Management Committee                       |
| 3   | Mr. Pornsak Chunjajinda                          | Risk Management Committee                       |
| 4   | Asst.Prof.Dr.Suluck Pattarathammas <sup>/1</sup> | Risk Management Committee                       |
| 5   | Mr. Pramuk Vongtanakiat , M.D. <sup>/2</sup>     | Risk Management Committee /Independent Director |

Asst. Prof. Dr. Sarayut Natapan a Consultants of Risk Management Committee and Miss. Saowapa Choorujiporn is a Risk Management Committee's secretary.

Note:

<sup>/1</sup> Asst. Prof. Dr. Suluck Pattarathammas was appointed to be Risk Management Committee-external scholar, effective on February 10, 2014.

<sup>/2</sup> Mr. Pramuk Vongtanakiat , M.D. was appointed as Risk Management Committee at Board of Directors Meeting No.1/2016 held on January 18, 2016.

### Risk Management Committee's Term on Board

Members of the Risk Management Committee are subject to a three-year term beginning from the date of appointment. In addition to vacating office on expiration of term of office, a member of the Risk Management Committee shall vacate office upon death, resignation and dispossession of qualifications.

### Duties and Responsibilities of the Risk Management Committee

The Board of Directors' Meeting No. 6/2015, held on October 12, 2015, reviewed and approved to determine the scope, authority and responsibility of the Risk Management Committee as follows:

1. The Risk Management Committee, whose term in the office is no longer than 3 years from upon the date receiving the appointment.
2. Apart from the vacancy upon the completion of the office term, a member shall vacate office upon death, resignation, or disqualified or prohibited as prescribed under the Public Limited Company Law.
3. When the vacancy is from other reasons, apart from the completion of the office term, Chairman of the Risk Management Committee shall select a candidate with aforementioned qualification to fill the vacancy. Any person so appointed shall retain his office during such time only the remaining term of the vacating member.

## 5 Executive Committee

Executive Committee comprises four (4) members as follows:

| No. | Name                        | Position                        |
|-----|-----------------------------|---------------------------------|
| 1   | Mr. Chavalit Wangthamrong   | Chairman of Executive Committee |
| 2   | Mr. Boonchai Suwanvutthiwat | Executive Committee             |
| 3   | Mr. Pornsak Chunhajinda     | Executive Committee             |
| 4   | Mr. Thanya Wangthamrong     | Executive Committee             |

Miss. Siriporn Ondee is an Executive Committee's Secretary.

### Scope of Authority of the Executive Committee

The Executive Committee, including the Chief Executive Officer, is responsible for managing and conducting the company in the course of its normal business.

The Board of Directors' Meeting No.1/2014 held on January 10, 2014 approved the Executive Committee structure and reviewed and approved to determine the scope, authority and responsibility of the Executive Committee as follows:

1. To perform any duties delegated by the Board of Directors.
2. To determine the company's short-term and long-term business strategies, with the consent of the Board of Directors.
3. To supervise and approve Company's normal business activities under the authorities that has been approved by the Board of Directors.
4. To approve the appointment of relevant advisors as necessary for the Company's business operation under the budget that has been approved by the Board of Directors each year.

The Executive Committee might delegate authorities to executives or any individuals to perform any particular matters as deemed appropriate by the Executive Committee. Any approvals or delegations of the Executive Committee must not fall in the category of connected transactions or transactions that might involve conflicts of interest or transactions in which the Executive Committee has any stakes as specified in the Company's regulations or the announcement of the Securities and Exchange Commission. All the approvals must comply with the Company's policy and authority regulated by the Board of Directors.

## 6 Management Team

The Board of Directors' Meeting No.6/2015, held on October 12, 2015 had agreed upon a resolution that the organizational structure should be adjusted, with the addition of the Managing Director position in order to reflect the Company's vision.

Management Team comprises six (6) members as follows:

| No. | Name                                 | Position  |
|-----|--------------------------------------|---|
| 1   | Mr. Boonchai Suwanvutthiwat          | Chief Executive Officer   |
| 2   | Mr. Pornsak Chunhajinda <sup>1</sup> | Managing Director/Chief Financial Officer/ Chief Human Resources Officer  |
| 3   | Miss Prapaipit Viriyabhupha          | Chief Operation Officer / Chief Sales Officer Control Environment Products/Chief Information Technology Officer |
| 4   | Mr. Payotorn Mungthong               | Chief Sales Officer Occupational Safety, Health and Environment Products  |
| 5   | Miss Natchomkorn Puapansakul         | Chief Internal Audit Officer  |
| 6   | Mr. Thanya Wangthamrong              | Chief Marketing Officer   |

*Note: The first four executives followed by the SEC definition, is second order of the Chief Executive Officer according to the organization chart of the company in force since on January 1, 2013 consist of those who have been selected to serve on various functional areas of management.*

<sup>1</sup> No.2 Mr. Pornsak Chunhajinda was appointed as Managing Director at Board of Director meeting No.1/2016 held on January 18, 2016.

### Chief Executive Officer's Scope of Duties and Responsibilities

1. To bring the organization to reach its business goal and objective;
  - Leading the policy articulation process as well as the business strategies; both short-term and long-term businesses.
  - Controlling and monitoring the Company's overall operating results at strategic and policy level;
  - Being as a leader to solve problems and make strategic decisions;
  - Being as a consultant to provide advice, suggestion and policy, and strategic knowledge to the Company's management team.
2. To support and oversee the organization development projects of the Company.
3. To oversee the management and the implementation strategic plans of the Company and its subsidiaries.
4. To supervise the Company's core business processes, i.e. Sales, Marketing and Purchasing Departments.
5. To guide the measures to enhance the achievement of the Company's annual business visions, missions, strategies, goals, objectives and results.
6. To support and facilitate the Audit Committee to be able to effectively oversee the Company.
7. To render support to the operations of different committees, acting as the coordinator between the committees and staff members.
8. To conduct performance appraisals for the Company's high-level executives.
9. To give suggestions on a human resource development and to establish the policies and treatments with respect to the human resource development, especially toward the personnel with outstanding efficiency.

### Managing Director's Scope of Duties and Responsibilities

1. To be responsible for the management, supervision and administration of the Company's daily operations, as well as the monitoring of the overall business operations in order to align with the policies, business strategies, objectives, execution plan, financial goals and budgets that have been approved of by the Board of Directors.
2. To prepare the business plan and financial budgets required for business operations and annual expense projection in order to propose to the Chief Executive Officer for approval. The Managing Director is also responsible for reporting the progress, with reference to the business plan and budgets allocated.
3. To determine the organizational structure, management approaches, selection of staff, training, hiring and termination processes, remuneration, compensation and bonus package for staff members.
4. To monitor and report the Company's status and propose appropriate alternatives and strategies that are coherent with the policy and market conditions.
5. To supervise and control different aspects of operations of the Company
  - Accounting and Finance
  - Human Resource Management
  - Information Technology
  - Warehouse and Delivery
6. To act on the Company's behalf and serve as the delegate when in contact with the government agencies or other regulatory bodies.
7. To supervise communication with the general public, such as shareholders, clients, and staff members in order to strengthen the Company's reputation and positive image.
8. To ensure that corporate governance is being strictly practiced.
9. To assume any authorities, duties or responsibilities as assigned by or to any individuals to perform any particular tasks. Such delegations and/or assignments must fall within what has been stated in the power of attorney. However, such delegations or assignments to any individuals must not involve connected transactions or transactions that potentially involve conflicts of interest with the Company or its subsidiaries, or transactions in which any parties has any particular stakes, unless the transactions are according to the policies and criteria indicated by the Board of Directors.

**Authorized Level of the Company as follow:**

| Transactions   | Board of Directors                  | Executive Committee | Chief Executive Officer | Managing Director |
|--|-------------------------------------|---------------------|-------------------------|-------------------|
| 1. Manpower and Budget Plan (yearly)   | Authority of the Board of Directors | -                   | -                       | -                 |
| 2. Loan and issued Bond per time   | Authority of the Board of Directors | -                   | -                       | -                 |
| 3. The documents signing; debt instruments, cheques and important issued related financial statement as stated in the company's Director of Authority table. | Authorized Directors/ Proxy holder  | -                   | -                       | -                 |
| 4. Certified True for Company's Financial Report   | Authority of the Board of Directors | -                   | -                       | -                 |
| 5. Approved Investment:  | Over 10 MB.                         | Not over 10 MB.     | Not over 5 MB.          | Not over 1 MB.    |
| 5.1 Investment Project   | Authority of the                    | -                   | -                       | -                 |
| 5.2 Investment/Joint venture for Subsidiaries Company  | Board of Directors                  |                     |                         |                   |
| 6. Asset Disposal  | Over 2 MB.                          | Not over 2 MB.      | -                       | -                 |
| 7. Write-off Debt  | Over 1 MB.                          | -                   | Not over 1 MB.          | Not over 0.5 MB.  |
| 8. Approved Selling proposes per purchase order  | -                                   | Not over 40 MB.     | Not over 20 MB.         | Not over 10 MB.   |
| 9. Customer Credit Approval  | -                                   | Not over 40 MB.     | Not over 20 MB.         | Not over 10 MB.   |
| 10. Approved Requisition Order and Purchase Order  | -                                   | Not over 40 MB.     | Not over 20 MB.         | Not over 10 MB.   |
| 11. Approved Credit Line to Customer   | -                                   | Not over 40 MB.     | Not over 20 MB.         | Not over 10 MB.   |
| 12. Advance payment and other expenses except Goods and services   | -                                   | Not over 5 MB.      | Not over 0.5 MB.        | Not over 0.1 MB.  |
| 13. Authorized under Budget  | -                                   | Not over 5 MB.      | Not over 1 MB.          | Not over 0.5 MB.  |
| 14. Approval for Purchase Order for operate and maintenance property.  | -                                   | Not over 5 MB.      | Not over 2 MB.          | Not over 1 MB.    |

In this regard, the aforementioned transactions are not inclusive of those in which the Board of Directors, the Executive Committee, Chief Executive Officer, Managing Director or any individuals might possibly have stakes or conflicts of interest of any kinds (if any) with the Company or its subsidiaries (as defined in the announcement of the Securities and Exchange Commission), unless the transactions are in accordance with the policies and criteria indicated by the Board of Directors. Such transactions must be declared to the Audit Committee Meeting and the Board of Directors' Meeting and/or the Shareholders' Meeting (where appropriate) in order to obtain approvals as stated in the Company's regulations or relevant laws.

## 7 Criteria for Directors and Management's Nomination

### 7.1 Criteria for Directors and Management's Nomination

The Company appointed Nomination and Compensation Committee to nominate qualified candidates for directors and Chief Executive Officer (CEO) to supervise the Company's business conduct and to determine policies and action plans for the maximum benefit of the organization and its shareholders. The nominated candidates for director and CEO positions shall have qualification and shall not have prohibited characteristics as defined in Chapter 68 of Public Company Act B.E. 2535 and shall not have characteristics indicating a lack of appropriateness in respect of trustworthiness in managing business whose shares are held by public shareholders as specified by Chapter 89/3 of Securities and Exchange Act B.E. 2535 and Securities and Exchange Act (4th

Amendments) B.E. 2551 as well as in the Notification of Securities and Exchange Commission Tor Jor 8/2553, which became effective since May 16, 2010 onwards.

Nomination and Compensation Committee is responsible for reviewing and nominating qualified candidates to assume director and CEO positions, and the Meeting of shareholders is responsible for giving approval on nominated candidates to assume the positions. The Company's articles of association stipulates that the Meeting of shareholders appoint directors by applying the following criteria:

1. Each shareholder shall have voting rights according to the number of shares held without multiplying with the number of nominated directors.
2. Each shareholder must use all his votes under (1) to elect one or more than one director but cannot allot the votes to some persons. In case of election of many persons as directors, each shareholder may not elect the persons as directors in the number more than that required in the Shareholders' Meeting.
3. Persons who receive highest votes arranged in order from higher to lower in a number equal to that of directors to be appointed in the Shareholders' Meeting are elected directors of the Company. In the event of a tie at a lower place, which would make the number of directors greater than that required, the Chairman in the Meeting shall have a casting vote.

In the case of appointing independent directors of at least 1/3 of the total number of directors with the minimum independent directors of 3 persons, specific qualifications of independent directors must be applied in addition to general qualifications of directors, according to Notification of Securities and Exchange Commission Tor Jor 28/2551 on Application and Approval for Newly-issued Shares dated December 15, 2008, Notification of Securities and Exchange Commission Tor Jor 4/2552 on Application and Approval for Newly-issued Shares (2nd Amendment) dated February 20, 2009 and effective on March 1, 2009, and Notification of Securities and Exchange Commission Tor Jor 15/2554 on Application and Approval for Newly-issued Shares (5th Amendment) dated July 25, 2011 and effective on August 1, 2011 (the definition of independent directors). Such additional qualifications for independent directors are the following:

- Must not be directors assigned from the Board of Directors to make decision on the business conduct of the company, its parent company, its subsidiary, its affiliate, its subsidiary of the same rank, its major shareholder, or its controlling entity, and must not be directors of a listed company that is the company's parent company, its subsidiary, its affiliate, or its subsidiary of the same rank
- Have responsibilities of the same nature as ones defined in Notification of Securities Exchange of Thailand on Qualifications and Scope of Work of the Audit Committee
- Have sufficient knowledge and experiences to assume the roles of Member of Audit Committee. At least one person must have sufficient knowledge and experiences to be able to review and assess the reliability of financial statements

The Meeting of shareholders may vote to terminate the director position prior to its expiration with the voting of no less than  $\frac{3}{4}$  of the shareholders who attend the meeting and have the rights to vote and with the collective shares of no less than  $\frac{1}{2}$  of the total shares held by the shareholders who attend the meeting and have the rights to vote.

## 7.2 Qualifications of Candidates for Directors

Nomination and Compensation Committee applies Thai Institute of Directors' best practices in identifying and nominating the Company's directors, taking into account the following major components:

- 1) Personal qualifications of each director To identify and nominate candidates for director, the Committee will review several qualifications such as

- Morality and responsibility
- Decision making based on information and reasoning
- Maturity, qualification of a good listener and independence in expressing different opinions freely
- Determination in work based on principle and professional standards
- Other qualifications deemed important by the Committee

#### 2) Desirable skills and knowledge

To be able to determine strategies, policies, as well as to ensure efficient compliance with such strategies. Nomination and Compensation Committee will arrange to have specific training programs for directors to make sure that all directors have complete knowledge and sufficient skills they need to conduct their roles appropriately to the maximum benefits of the organization.

#### 3) Diversity of directors

Aside from aforementioned components, Nomination and Compensation Committee may also take into account the diversity of the qualifications of directors as a whole, such as directors from various groups of stakeholders, educational backgrounds, ages, and genders.

### 7.3 Methods and procedures of nomination of directors

1. Review the existing structure of the Board of Directors and assess whether it is supportive to the strategic needs of the Company, give recommendations on how to improve such structure, and propose the criteria to find candidates suitable for the recommended structure to the Board of Directors
2. Identify the lists of qualified candidates to nominate as directors
3. Review and screen the lists and curriculum vitae of the candidates and present to the Board of Directors
4. Arrange to have interviews sessions for candidates who have passed the preliminary screening from Nomination and Compensation Committee and propose the lists to the Board of Directors and present to the shareholders' meeting to get approval
5. In the nomination process, Nomination and Compensation Committee determines a nomination criteria to ensure that the selected candidates will be able to perform the roles of directors based on 2 Fiduciary Duties: Duty of Care and Duty of Loyalty
6. Aside from nomination by Nomination and Compensation Committee, the Committee also gives opportunities to minority shareholders to nominate qualified candidates to the Committee in the time period that is long enough to facilitate the screening procedure required by the Committee
7. To ensure transparency, Nomination and Compensation Committee discloses nominating policy and procedure to shareholders, as well as prepares nomination forms containing important information of candidates that shareholders can use to make decision together with consents of such candidates
8. Screen and cross-check the name of candidates in the list with the lists of relevant authorities to make sure that the candidates are not the persons in black lists or have been removed from the lists of such authorities, and meet and interview candidates who have passed the screening of Nomination and Compensation Committee
9. In the process of director nomination, Nomination and Compensation Committee should nominate candidates in a sufficient number to allow the Company's directors a chance to select from the candidate pool and propose the selected candidates to the shareholders' meeting in the number equal to the number of directors needed
10. Nomination and Compensation Committee submits the list of candidates and their resumes to the shareholders' meeting in advance together with the invitation to general shareholders' meeting
11. In the case of reappointing directors whose terms have expired, the candidates' performance and records of attendance in Board of Directors' meeting and shareholders' meeting will also be delivered to shareholders
12. In the process of nominating candidates for directors, the Board of Directors allows shareholders to vote one-by-one to give opportunities to shareholders to contemplate each candidate and disclose the voting result in the Meeting
13. Arrange to have an orientation session for the newly-appointed directors prior to their first attendance of the meeting of the Board of Directors

After the list of candidates is approved by the Board of Directors, Nomination and Compensation Committee will present to the general meeting of shareholders to approve and appoint the candidates. To ensure that the director and executive nomination procedures are transparent and appropriate, leading to efficient operation of the Company, the following guidelines are determined:

### **Director**

Nomination and Compensation Committee is responsible for screening of candidates for both directors that represent shareholders and independent directors, considering the candidates' qualifications, skills, and experiences to ensure the maximum benefit of the organization. Nominating criteria is revised when deemed appropriate, or at least once a year. Appointment of directors to replace directors whose terms expire is to be approved for the shareholders' meeting one-by-one, using voting procedure defined in the article of association as follows:

1. The number of directors shall be determined by the Shareholders' Meeting but shall not be less than five of which not less than one half shall reside in the Kingdom.
2. Directors shall be elected by the Shareholders' Meeting in accordance with rules and procedures as follows:
  - (1) Each shareholder shall have voting rights according to the number of shares held without multiplying with the number of nominated directors.
  - (2) Each shareholder must use all his votes under (1) to elect one or more than one director but cannot allot the votes to some persons. In case of election of many persons as directors, each shareholder may not elect the persons as directors in the number more than that required in the Shareholders' Meeting.
  - (3) Persons who receive highest votes arranged in order from higher to lower in a number equal to that of directors to be appointed in the Shareholders' Meeting are elected directors of the Company. In the event of a tie at a lower place, which would make the number of directors greater than that required, the Chairman in the Meeting shall have a casting vote.
3. At each Annual General Meeting of Shareholders, one-third of the total directors must retire from office. If it is not possible to divide the total number of directors evenly by three, the number closest to one-third must retire from the office. The directors retiring in the first and second years after the registration of the Company shall be selected by drawing. In subsequent years, the director who has been in the post longest shall retire.
4. Any director who wishes to resign from office shall tender a letter of resignation to the Company, and resignation shall take effect on the date on which the letter of resignation reaches the Company.
5. In the case of a vacancy of directorship for reason other than expiration of term of office, the Board of Directors shall elect a person possessed of qualifications and not possessed of disqualifications under Section 68 of the Public Limited Company Act B.E. 2535 as the replacement director in the next meeting of the Board of Directors, unless the remaining term of office of the director is less than two months. Such replacement director may hold only for the remainder of term of office of the director whom be replaced. Such resolution of the Board of Directors must be supported by votes not less than three-fourths of number of the remaining directors.
6. The Shareholders' Meeting may pass a resolution to remove any director prior to the expiration of his term of office with votes not less than three-fourths of number of shareholders attending the meeting and having the right to vote and the total number of shares being of not less than one half of number of shares held by shareholders attending the meeting and having the right to vote.

### Independent Directors

The Board of Directors or the Meeting of shareholders (depending on the case) has an authority to appoint independent directors with the minimum of 1/3 of the Board of Directors and at least 3 persons.<sup>11</sup>

The criteria in selecting independent directors are similar to those in selecting directors. Qualifications of independent directors are defined applying the definition of qualifications and prohibited characteristics specified in Public Company Act and Securities and Exchange Act, as well as Notification of Securities and Exchange Commission. Such qualifications are the following:

#### Qualifications of Independent Directors

The Company has determined the definition of independent directors is equal to the requirements of the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET) in accordance with the Notification of the Capital Market Supervisory Board No. Tor Jor. 4/2552 dated 20 February 2009 Re: “Qualification of Independent Directors” That is, “Independent Director” means the directors with a qualifications as follows:

1. Holding shares not exceeding 1 per cent of the total number of shares with voting rights of the Company, its parent company, subsidiary company, affiliate company, major shareholder or controlling person, including shares held by related persons of such Independent Director;
2. Either being nor used to be an executive director, employee, staff, advisor who receives salary, or controlling person of the Company, its parent company, subsidiary company, affiliate company, same-level subsidiary company, major shareholder or controlling person, unless the foregoing status has ended not less than 2 years prior to the submission of the request to the Office. Such prohibited characteristic shall not include the case where the Independent Director used to be a government official or advisor of a government unit which is a major shareholder or controlling person of the Company;
3. Not being a person related by blood or legal registration as father, mother, spouse, sibling, and child, including spouse of executive’s child, major shareholder, controlling person, or person to be nominated as executive or controlling person of the Company or its subsidiary company;
4. Neither having nor used to have a business relationship with the Company, its parent company, subsidiary company, affiliate company, major shareholder or controlling person, in the manner which may interfere with his independent judgment, and neither being nor used to be a significant shareholder or controlling person of any person having a business relationship with the Company, its parent company, subsidiary company, affiliate company, major shareholder or controlling person, unless the foregoing relationship has ended not less than 2 years prior to the submission of the request to the Office of the SEC;
5. Neither being nor used to be an auditor of the Company, its parent company, subsidiary company, affiliate company, major shareholder or controlling person, and not being a significant shareholder, controlling person, or partner of an audit firm which employs auditors of the Company, its parent company, subsidiary company, affiliate company, major shareholder or controlling person, unless the foregoing relationship has ended not less than 2 years prior to the submission of the request to the Office of the SEC;

The term “business relationship” in the first paragraph includes any normal business transactions in real estate renting and leasing, asset-related or service-related transactions, or financial transactions, including lending and borrowing, collateral pledging, guaranteeing, or similar transactions that result in one party financially obliged to another party for 30% of the relevant Company net intangible asset or Baht 20 million, whichever in lower. The amount of such indebtedness shall be calculated according to the method for calculation of value of connected transactions under the Notification of the Capital Market Supervisory Board governing rules on related transactions. The consideration of such indebtedness shall include indebtedness occurred during the period of one year prior to the date on which the business relationship with the person commences;

6. Neither being nor used to be a provider of any professional services including those as legal advisor or financial advisor who receives service fees exceeding Baht 2 million per year from the Company, its parent company, subsidiary company, affiliate company, major shareholder or controlling person, and not being a significant shareholder, controlling person or partner of the provider of professional services, unless the foregoing relationship has ended not less than 2 years prior to the submission of the request to the Office of the SEC;
7. Not being a director appointed as representative of directors of the Company, major shareholder or shareholder who is related to major shareholder of the Company;
8. Not undertaking any business in the same nature and significantly in competition to the business of the Company or its subsidiary company or not being a significant partner in a partnership or being an executive director, employee, staff, advisor who receives salary or holding shares exceeding 1 per cent of the total number of shares with voting rights of other company which undertakes business in the same nature and significantly in competition to the business of the Company or its subsidiary company; and

9. Not having other qualifications that will interfere with an independent judgment on the performance of the company business counterparty. After being appointed, independent directors may be delegated authorization power from the Board of Directors to make collective decision on business transaction with counterparties, subsidiaries, same-level subsidiaries, affiliate, major shareholders or the company's controlling persons.

Content in Paragraph 1 number 2, 4, 5, and 6, in the part that demand review of qualifications of independent directors of the applicant within 2 years prior to the date the applicant submit the request to the Office of SEC, is applied to applications delivered to the Office since July 1st, 2010 onwards.

In case the person appointed as the independent director is having or used to have business relationship or providing professional service with value exceeding those prescribed in item 4 or item 7, the Board of Directors may consider waiving the disqualification if the Board concluded that, based on Section 89/7 of the Securities and Exchange Act B.E. 2535, the appointment of the said person does not affect his rendering of independent opinion and the company has disclosed the following information in the notice letter for the shareholders' meeting on agenda regarding the appointment of the said Independent Director:

- (a) Manner of the business relationship or professional service causing the said person not being qualified under the prescribed criteria;
- (b) Reason and necessity to maintain or to appoint the said person as the independent director;
- (c) Opinion of the Company's Board of Directors to nominate the said person as the independent director.

For the provisions of the first paragraph of Article 5 and Article 6, the term "partnership" means any persons appointed by the auditor or professional service providers to endorse on the company's audit reports or other professional service reports (as the case may be) on behalf of the juristic person.

In addition, Independent Director must have education and specialty in specific fields, including experience and other qualifications to be proposed to the Shareholders' Meeting for consideration and appointment as the Company's director. In case that any Independent Director vacates his position prior to an expiration of his term, the Board of Directors may elect a new qualified Independent Director in replacement whereby such replacing person will hold the position only for the remainder of term of office whom be replaced.

#### **Director Nomination to the Meeting of Shareholders**

The Company will attach the information of the candidates for directors with the shareholders' meeting invitation letter to allow shareholders to review the qualifications of the candidates who will replace the directors whose term expire. Such information consists of the candidate's education backgrounds, work experience, share ownership (direct and indirect), director position in companies and public companies, experiences, and disputes (if any). In the case of reappointment of directors whose term expired to resume director position, the information on the number of meeting attended and performance as directors in the past year will also be attached.

In the case that the director positions become vacant due to reasons other than expiration of terms, Nomination and Compensation Committee will propose qualified candidates to be considered and appointed in the next meeting. New directors are appointed with the votes of no less than  $\frac{3}{4}$  of the remaining directors. The new directors in this case will have terms equal to the remaining terms of the previous directors whose terms are terminated.

#### **Executive Committee**

The Nomination and Compensation Committee shall seek and consider the qualified persons in accordance with Nominating rules and procedures and propose him to the Board of Directors for appointment as Executive Committee.

## **8 Compensating of Directors and Top Executives**

The Company determines compensation packages that are appropriate and comparable to those of other companies in the same industry. Nomination and Compensation Committee will determine the compensation policy for directors and top executives, including CEO and presidents, and propose the principles and offerings of compensation packages that are suitable for roles and responsibilities of the positions and salary structure of the Company to the Board of Directors for the approval of compensation packages for top executives and to the Meeting of shareholders for the approval of compensation packages for directors every year. In so doing, it applies the following principles:

### **1. Policy and Criteria of the Compensating of the Board of Directors**

The Board of Directors has determined the Compensating of directors in 2 forms as follows:

- 1) Meeting allowance per attendance is based on the business performance and the size of the Company, respon

sibilities, knowledge, capabilities and experiences of directors, and contribution of such directors to the Company with comparison to the allowance of comparable companies in the same business and with the amount high enough to retain qualified directors

2) Annual director bonus is based on the performance of the Company or the dividend paid to the shareholders

## 2. Policy and Criteria of the Compensating of Top Executives

Nomination and Compensation Committee is responsible for reviewing compensation in the form of monthly compensation and bonuses for CEO and presidents and for presenting to the Board of Directors for approval. Such compensation shall have been reviewed by Nomination and Compensation Committee, who structures the compensation packages that are linked with the performance and financial performance of the Company and comparable to the packages of other companies in the same market. Factors included in the reviewing of compensation packages are:

- 1) Surveys of compensation rates done by reliable institutes, organizations, or offices
- 2) GDP growth and inflation rate
- 3) The Company's performance and personal performance according to personal KPI (Key Performance Indicator)

## Compensation

Monetary compensation for the year-end December 31, 2015

The Company clearly determines the compensation policy for directors. Nomination and Compensation Committee is responsible for determining compensations for directors, applying the Company's compensation practices and survey of director compensation 2012 published by Thai Institute of Directors, as well as practices of other companies in the same industry. In 2015, the Meeting of shareholders approved monetary compensation as follows:

a) Details of total monetary compensation to directors in the form of meeting allowance and monthly compensation are as follows:

### 1. Meeting Allowance

| Board of Directors and Sub-Committee | Meeting Allowance/Attendance (Baht) |          |
|--------------------------------------|-------------------------------------|----------|
|                                      | Chairman                            | Director |
| Board of Directors                   | 22,500                              | 15,000   |
| Sub-Committee                        | 18,000                              | 12,000   |

Sub-Committee include Audit Committee, Risk Management Committee, Nomination and Compensation Committee and Executive Committee.

## 2. Director's Bonus

It is the Company's policy to pay bonus to directors, based upon the Company's operating performance. In 2015, the Company has proposed the adjustment of bonus payment criteria for directors to the Annual General Meeting of Shareholders in order to establish motivation in creating value-added features to the Company. The criteria can be categorized into 2 parts:

Part 1: 2.5% of dividend paid to shareholders

Part 2: 10% of profit margin, in case the net profit exceeds that of 2014.

Nonetheless, meeting attendance fees and directors' bonuses combined must not exceed 5 million Baht.

## 3. Other Compensation -None-

In this regard, the payment criteria are similar to that of the previous year; 1.5 portions are allocated to the Chairman of the Board and every individual director will be allocated 1 portion each. The calculation is proportional upon the tenure of directorship as appointed by the Annual General Meeting of Shareholders or in case where directors are appointed during the year in replacement of resigned directors. The exception applies when directors whose term of office is less than two months, whereby there will be no bonus payment.

In 2015, the total amount of directors' compensation is 3,331,375 Baht, comprising of meeting attendance fees of 2,521,500 Baht and directors' bonus in 2014 of 809,875 Baht. The total amount does not exceed the budget of 5 million Baht as regulated by the resolution of the Annual General Meeting of Shareholders 2015 held on April 28, 2015.

The bonus for directors in 2015 equals 810,000 Baht and will be proposed to the Annual General Meeting of Shareholders 2016 which will be held on April 26, 2016 for an approval in order to allocate to directors according to the same criteria exercised in the previous year.

Details on the Meeting attendance and compensation are as follows:

|              |                                       | 2015                      |                 |                           |                     |                     |                          |                                      |                           |
|--------------|---------------------------------------|---------------------------|-----------------|---------------------------|---------------------|---------------------|--------------------------|--------------------------------------|---------------------------|
|              |                                       | No. of Meeting Attendance |                 |                           |                     |                     |                          |                                      |                           |
| No.          | Name                                  | Board of Director         | Audit Committee | Risk Management Committee | Executive Committee | Executive Committee | Meeting Allowance (Baht) | Director's Bonus <sup>3</sup> (Baht) | Total Compensation (Baht) |
| 1            | Prof. Dr. Pomchai Chunchachinda       | 9/9                       | -               | -                         | -                   | -                   | 202,500                  | 127,875                              | 330,375                   |
| 2            | Mr. Chavalit Wangthamrong             | 9/9                       | -               | 3/3                       | -                   | 12/12               | 387,000                  | 85,250                               | 472,250                   |
| 3            | Mr. Teeradej Jarutangtrong            | 8/9                       | -               | -                         | 5/5                 | -                   | 210,000                  | 85,250                               | 295,250                   |
| 4            | Assoc. Prof. Dr. SeksakJumreornvong   | 9/9                       | 6/6             | -                         | -                   | -                   | 243,000                  | 85,250                               | 328,250                   |
| 5            | Asso. Prof. Dr. Ekachidd Chungcharoen | 9/9                       | 6/6             | 3/3                       | -                   | -                   | 261,000                  | 85,250                               | 346,250                   |
| 6            | Mr. NoppadolDheerabutrvongkul         | 9/9                       | 6/6             | 3/3                       | -                   | -                   | 243,000                  | 85,250                               | 328,250                   |
| 7            | Mr. Pramuk Vongtanakiat , M.D.        | 9/9                       | -               | -                         | -                   | -                   | 135,000                  | 85,250                               | 220,250                   |
| 8            | Mr. Boonchai Suwanvutthiwat           | 9/9                       | -               | -                         | 5/5                 | 12/12               | 339,000                  | 85,250                               | 424,250                   |
| 9            | General Chaiwat Satondee <sup>1</sup> | 3/3                       | -               | -                         | -                   | -                   | 45,000                   | -                                    | 45,000                    |
| 10           | Mr. Thanya Wangthamrong <sup>2</sup>  | 4/5                       | -               | -                         | -                   | 12/12               | 204,000                  | 85,250                               | 289,250                   |
| 11           | Asst.Prof.Dr.Suluck Pattarathammas    | -                         | -               | -                         | 5/5                 | -                   | 60,000                   | -                                    | 60,000                    |
| 12           | Mr. Pornsak Chunchachinda             | -                         | -               | -                         | 5/5                 | 12/12               | 192,000                  | -                                    | 192,000                   |
| <b>Total</b> |                                       |                           |                 |                           |                     |                     | <b>2,521,500</b>         | <b>809,875</b>                       | <b>3,331,375</b>          |

Note:

<sup>1</sup> No.9 General Chaiwat Satondee was appointed as Director at the Board of Directors meeting No.6/2015 on October 12, 2015, in replacement of Mr. Thanya Wangthamrong who resigned on September 11, 2015.

<sup>2</sup> No.10 Mr. Thanya Wangthamrong resigned from Director on September 11, 2015.

<sup>3</sup> Bonuses for directors for the year 2014 was paid on May 2015 according to the resolution of 2015 general shareholders' meeting held on April 28, 2015

b) The compensation of executives in the form of salaries and bonuses for the company and its subsidiaries are as follows: In 2015, the Company has paid monetary compensation to 6 high-level executives of the Company and its subsidiaries, totaling 10.9 million Baht.

| Executive Compensation         | unit : million baht |              |               |              |
|--------------------------------|---------------------|--------------|---------------|--------------|
|                                | 2015                |              | 2014          |              |
|                                | No. of person       | Amount       | No. of person | Amount       |
| Salary                         | 6                   | 8.21         | 8             | 13.61        |
| Bonus and Management Fee       | 6                   | 2.28         | 7             | 3.56         |
| Contribution to Provident Fund | 6                   | 0.41         | 7             | 0.45         |
| <b>Total</b>                   |                     | <b>10.90</b> |               | <b>17.62</b> |

Additional information related to the Company's directors and executives

In 2015, there was no record of illegal actions committed by directors or executives found including:

- 1) Judgment by court for criminal offences, except traffic offences, petty offences, or other offences of similar nature.
- 2) Judgment by court for bankruptcy or receivership.

## 9 Personnel

Number of personnel of the Company and its subsidiaries as of 31 December 2015 amounts to total 219 as follows:

| Department                 | No. of Personnel |            |
|----------------------------|------------------|------------|
|                            | 2015             | 2014       |
| 1. Management              | 6                | 8          |
| 2. Internal Audit          | 0                | 2          |
| 3. Quality Management      | 2                | 1          |
| 4. Secretary Office        | 3                | 3          |
| 5. Sales                   | 89               | 80         |
| 6. Operating               | 48               | 55         |
| 7. Accounting and Finance  | 20               | 24         |
| 8. Marketing               | 15               | 13         |
| 9. Human Resource          | 7                | 3          |
| 10. Information Technology | 5                | 5          |
| 11. Business Development   | 24               | 19         |
| <b>Total</b>               | <b>219</b>       | <b>213</b> |

### Compensation for Employees

Employees of the Company and its subsidiaries receive compensations in the form of monetary and non-monetary compensations. Monetary compensations include salary, annual bonus, overtime allowance, commission, incentives, diligence allowance, and other monetary welfares.

Main non-monetary compensations include contributions to the provident fund, which is managed by authorized fund management companies, consistent with the stipulations specified in Provident Fund Act B.E. 2542. Each employee's saving rate becomes higher the longer such employee works with the Company. In addition, employees are given the rights to choose or change the investment policy twice a year to match each one's objective and risk tolerance. Another non-monetary compensation is group life insurance and health insurance, which are offered to both executives and staff in different limits based on the age of each employee and the riskiness each position is involved. Moreover, the Company also offers scholarships for employees studying in Bachelor and Master Degrees and provides allowance for training programs and seminars both inside and outside the organization.

In 2015, the Company provided monetary compensation and non-monetary compensation for 95.08 million baht and in 2014, the Company provided such compensation for 83.39 million baht.

**Changes in the number of employees in the past 3 years**

In 2015, 35 employees left the Company and 41 new employees joined the Company

In 2014, 42 employees left the Company and 33 new employees joined the Company

In 2013, 34 employees left the Company and 54 new employees joined the Company

**Significant labor dispute in the past 3 years**

-None-

**Human Resource Development Policy**

The Company places a high value on continual human resource development to empower its employees to achieve performance objectives and steer the organization in the right direction to support future growth and competitiveness in the global stage. The Company set up a training plan and activity plan for its employees to enhance their knowledge and skills in several aspects. Human resource development of the Company can see more detail in the topic “Corporate Social Responsibility”

# Corporate Governance

## Compliance with the Principle of Corporate Governance

**The Board of Directors** is well aware of the significance of operating the business under the principle of corporate governance and has thus devised “Corporate Governance Policy” in order to encourage corporate governance practices and transparency, reflecting the Company’s determination in operating the business with good governance and adherence to moral and ethical values that serve as standard practices towards the society as a whole, to be the organization that operates with responsibility towards the society and all stakeholders fairly and equally. The focus is also on the sustenance and creation of business values in the long run for sustainable growth. Also, the Company provides full support to achieve operational excellence with constant monitoring and supervision to ensure that business operations are in accordance with regulations of the Stock Exchange of Thailand and criteria of the Securities and Exchange Commission, by way of prescribing the corporate governance policies in writing in order to serve as effective guiding practices for directors, executives and staff members.

Moreover, the prescription of “Business Code of Conduct” policy has been carried out to serve as principles and guidelines for directors, executives and staff members, as well as all stakeholders. In this regard, the Company has disseminated the corporate governance policy and the Business Code of Conduct on the Company’s website, available in two languages (Thai and English), under the topic “Corporate Governance” in order to keep shareholders, investors and all stakeholders well informed.

### Compliance with Corporate Governance Policy (CG Policy)

In 2015, the Company promoted and communicated CG policy to all levels of employees across the organization through an internal electronic communication system and orientation to create common knowledge and mutual understanding that will lead to compliance with CG policy and business ethics. Directors, executives, and employees of Phol Dhanya PCL and its subsidiaries consistently comply with such policy and constantly monitor the compliance results. In 2015, there was no issue or situation of non-compliance with the aforesaid policy.

With its devotion to the principle of CG, PHOL proudly received several awards and recognitions for its CG compliances as follows:

- The Company was given a score of 99.25 or “Good” for an assessment result on its administration of general shareholders’ meetings by Annual General Meeting Assessment Program (AGM Program) held by Thai Investors Association (TIA).
- In 2015, The Company was received one of 55 SET-listed companies awarded “Excellent CG Scoring” or “5 Stars” according to the Corporate Governance Report of Thai Listed Companies 2015, the Survey of Corporate Governance assessment of total 588 Listed Companies, an overall average score of 75 percent which is higher than last year, as well as 1 of the 28 Top Quartile Listed Companies by lower than 1,000 MB. Market Capitalization.
- Phol Dhanya PCL’s Board of Directors has been awarded the consolation prize “MAI Board of Directors 2015” on November 17, 2015, as part of the Board of the Year 2015 campaign, bestowing prestige upon the Board of Directors of the companies listed in the Stock Exchange of Thailand that has outstandingly effective and efficient performance, with excellent performance in transparency and fairness to all stakeholders under the principle of corporate governance. This campaign was held by the Thai Institute of Directors, in collaboration with 6 other leading private sector organizations.
- The Company has been graded Level 3 in the Anti-Corruption Progress Indicator from the Securities and Exchange Commission on October 7, 2015.

The Company’s Board of Directors is certain that strict obedience to corporate governance, moral and ethical business operations will contribute value-added features to the business in the long run. The Company is determined to enhance its corporate governance performance to be in accordance with the Asean CG Scorecard standard and to continuously improve corporate governance operations. In 2015, the Company’s key takeaways of the corporate governance execution plan are as follows:

### **Section1: The Rights of Shareholders**

The Company highly values the principle of CG, keeping in mind the importance of basic rights of shareholders both as investors and owners of the Company. It treats shareholders with well-accepted and reliable practices, encouraging shareholders to freely exercise their rights, including fundamental legal rights such as the right to buy, sell and transfer their shares, the right to receive the Company’s allocation of profit in various forms, the rights to get sufficient information, and the right to attend and vote in the shareholders’ meeting to appoint or relieve directors, to determine directors’ compensation, to appoint the Company’s auditor and determine its compensation, and to allocate dividend payment. Shareholders also retain the rights to propose meeting

agenda in advance, to nominate candidates for directors, and to express their opinion freely. They are allowed to make mutual decision on important issues that affect the Company's directions, such as correction of memorandum of association and articles of association. All shareholders have the voting rights equal to the number of shares they hold. One share equals one vote, and no share has preferential right over another. Other rights of shareholders are according to those stipulated in Public Company Act, Securities and Exchange Act, and other relevant regulations.

Aside from basic legal rights aforementioned, the Company also arranges to protect the rights of shareholders and to facilitate shareholders in exercising their rights including:

#### **Administration of Shareholders' Meeting**

The Company administers general shareholders' meeting once a year within 4 months after the end of its financial year to allow its shareholders to participate in the monitoring and acknowledging of the Company's performance in the past year. In the case of emergency agenda for issues that affect or are related to shareholders' benefits or are related to enforcement of conditions, rules, or regulations that require approval from shareholders, the Company will arrange extraordinary meeting on a case-by-case basis. In 2014, there was no extraordinary meeting of shareholders.

In 2015, the Company administered annual general shareholders' meeting on April 28, 2015 at 2.00 p.m. at Conference Room Floor 3rd Phol Dhanya Public Company Limited address 1/11 Moo3 Lamlukka Rd, Ladsawai, Lamlukka, Pathumthani 12150. The meeting was attended by all directors, including Chairman of the Board, Chairman of Nomination and Compensation Committee, Chairman of Risk Management Committee, Chairman of Executive Committee, Chief Executive Officer and Independent directors (attended the meeting 100%) and all executives attended the meeting. In the meeting of shareholders, the Company followed AGM Checklist, which is suggested by Thai Investors Association, Thai Listed Companies Association, and Securities and Exchange Commission, in the following procedures:

#### **Before the Day of the Meeting**

The Company prepares documents that contain complete substantial information to be used in the voting process of shareholders and distributes to shareholders in advance through SET Community Portal and on the Company's website.

1. The Company informed press via SET to disseminate to shareholders immediately after the Board has approved the Annual General Meeting of Shareholders, Meeting Agenda, Record date by closing register book; name list of shareholders to attend the Shareholders' Meeting and received the dividend payment and published on the company's website to notify shareholders of their rights so that shareholders prepared themselves to attend the meeting.

2. The Company published the invitation letters with detailed supporting information of each agenda to shareholders, therefor the 2015 agenda for shareholder's meeting consisted of topics defined in Section 5 of the Company's articles of association: Shareholders' meeting. Each agenda includes its objectives and reasons, directors' opinion and detailed explanation of shareholders' rights to attend and vote in the Meeting.

3. The Company assigns Thailand Securities Depository Co., Ltd "TSD" the Company's securities custodian to distribute the invitation letter with detailed supporting information of each agenda to shareholders prior the meeting date within 21 days (since April 4, 2015) especially foreigner shareholders have provided with covering English version's letter together and broadcast invitation letter and detailed supporting information of each agenda both Thai-English version on the Company's website in advance 30 days since March 27, 2015 before distributing printed letters to the shareholders to allow them to study meeting material before receiving hard copies as well as to advertise the meeting and its agenda for 3 consecutive days to allow sufficient time for shareholders to prepare to attend the meeting.

4. The Company allows its shareholders who wish to receive printed annual reports to send their request through various channels, such as emails, telephone, fax, and letters in return-envelopes. The Company will immediately send annual reports through postal service as per requests and also prepare printed copies for shareholders on the meeting date.

5. In the case that some shareholders cannot attend the meeting, the Company allows such shareholders to grant the power of attorney (PA) to appoint an independent director of the Company or any other person, using proxy (Form B) that is attached with the invitation letter. Shareholders can download these three proxy form (Form A, B and C) via the company's website and the company also prepares duty for shareholders to use with the proxy form as well.

6. The Company allows opportunities for shareholders to propose meeting agendas for the Annual General Meeting 2015 3 months ahead of time, from October 12, 2015 to January 12, 2016 in order to allow plenty of time for the Board of Directors

to consider with reference to the Company's criteria and inform the shareholder making such proposal in the meeting, and if the agenda is not incorporated, the proposing shareholder will be informed as well. Nonetheless, there are no any shareholders proposing agendas for this meeting. Besides, shareholders are eligible to nominate names of individuals to be the Company's directors during the same period of time, according to the criteria indicated, however no nominations were made.

In this regard, the Company has published the meeting agenda proposal and director candidate nomination on the Company's website under the menu "Investor Relations".

7. The Company allows opportunities for shareholders to submit questions beforehand that require clarification on any particular agendas from March 27, 2015 until the day of the meeting.

8. The Company arranges channels for contact or queries by e-mail via [cs@pdgth.com](mailto:cs@pdgth.com) or [ir@pdgth.com](mailto:ir@pdgth.com) or fax no. 02-791-0100 for shareholders' maximum benefits from the meeting.

#### On the Meeting Date

The Company encourages shareholders to exercise their rights to attend and vote in the shareholders' meeting by accommodating shareholders who attended the meeting and administering the meeting in a transparent and verifiable manner, abstaining from any activities that violate or deprive the rights of shareholders. It also allows shareholders to make inquiries and express opinions freely.

1. Encourage directors, top executives and the Company's auditor to attend the meeting to give answers to the questions asked and acknowledge shareholders' opinions. In 2015, Chairman of the Board and nine directors or totally 100 percent of directors to attended the meeting. Chairman of the Board and all Chairmen of the sub-committees attended the meeting.

2. Facilitate and encourage shareholders/investors to attend the meeting, with the following actions:

- Sharing the map displaying location of the meeting venue that is convenient to commute to and from (expressway) and allocating sufficient parking spaces.
- Properly identifying the point of registration for shareholders and proxies (document inspection kiosk), with the Company's officers providing reception and facilitation to shareholders.
- Preparing duty stamps in case the shareholder assigns the proxy to attend the meeting, without any additional costs.
- The registration can be completed 2 hours before the meeting and shareholders arriving after the meeting commences can also register and attend the meeting and cast vote on agendas (for agendas that have not been voted yet).
- Using the barcode system in the registration and vote counting processes, for better effectiveness and faster results.
- Using the meeting assistance program in the registration and vote counting processes for higher effectiveness and transparency.
- Providing impressive reception for shareholders attending the meeting for convenience and comfort.

3. Notify shareholders of how to cast votes in each agenda as well as the vote counting methods to reach a resolution and vote processing; demonstrating transparency in all the processes.

4. Grant the rights for shareholders who attend the meeting after Chairman of the Meeting begins the Meeting to vote in ongoing agenda whose results are not yet resolute. Such shareholders will be included in the quorum since their attendance, unless the Meeting specifies otherwise.

5. The Company will normally go through meeting agendas in specific order as stated in the meeting invitation letter distributed to shareholders beforehand. The agendas shall reflect the background, rationale, necessity and advices to the meeting without changing orders of the agendas or increasing the number of agendas or altering any important information without prior notice to shareholders.

6. The annual dividend payment agenda indicates the dividend payment policy, dividend rate and the amount of dividend paid, with comparison to the dividend payment in the year before, including payment day, rationale and supporting information. However, shareholders will receive dividend payment within 30 days after the approval of the Annual General Meeting.

7. Appoint directors whose tenure is going to cease. Brief background information of individuals nominated to assume/resume the director position for another term of office will be provided, as well as other relevant information that is beneficial for the consideration. Anyhow, prior to the consideration of appointment, directors whose tenure is terminating or those who are nominated to assume the position for another term of office must leave the room in order to allow shareholders to express opinions and vote independently. The Company will be collecting ballots from every shareholder attending the meeting, only those that disagree or abstained from voting on an individual basis and will be collecting the remaining ballots after the meeting.

8. The agenda concerning directors' remuneration features an explanation provided to shareholders of the budgets and remuneration packages for each type of director. The remuneration can be categorized into meeting attendance fees and directors' bonuses, including compensation in case the person gets appointed the committee. Policies and criteria utilized in the remuneration consideration have been provided in details in the annual report.

9. The agenda concerning the appointment of an auditor and identification of remuneration features a list of nominated individuals deemed appropriate to be the auditor/resume the position, the duration of service as well as other relevant information that is of benefits to shareholders' consideration.

10. During the meeting, Chairman of the Meeting is responsible for allocating sufficient time to allow shareholders equal opportunity to give inquiries or express opinions freely in the Meeting pertaining to agenda and the Company's operations, as well as to allow relevant officers to give answers to the questions asked thoroughly. Significant questions, explanations and opinions are completely recorded in the minute as a way to clearly inform shareholders who are absent for the Meeting.

11. The Company has involved the legal advisor "Dheerakupt International Law Office Limited" and the auditor "ANS Audit Co., Ltd." and 3 other volunteered shareholders to act as intermediary "inspectors", to ensure that the Shareholders' Meeting is carried out with transparency, in accordance with laws and the Company's regulations on the following matters:

- Document inspection process exercised upon shareholders or proxies who are eligible to attend the meeting.
- The quorum, voting casting and vote counting approaches are coherent with the Company's regulations.
- Ballot collection from shareholders, verification of resolution and vote results as appeared on the ballots.
- Signing to certify the accuracy and validity of vote results in each agenda once the meeting is over.

In 2015, there were 24 shareholders and 25 proxies who attended after finished the meeting, representing 114,606,496 shares, or 70.7448 percent of tradable shares (floats). Where as in 2014 there were 63 attendants, representing 95,423,998 shares, or 70.6844 percent of total floats.

#### After the Meeting

1. The Company prepares the minute of general shareholders' meeting 2015, which was held on April 28, 2015, with correct and complete significant matters, including the following details:

- Names and positions of directors, members of Committees, top executives, auditors/legal consultants who attended the meeting, and those absent from the meeting (if any).
- Quorum including the number of shareholders who attended the meeting by themselves, the number of proxies, and the number of shareholders who granted the power of attorney to the Company's independent directors.
- Voting method used in each agenda, counting method for resolution, and guideline for using voting cards.
- The number of vote with agreement, disagreement, and no-vote results for every agenda that requires voting. Voting results must be verifiable after the meeting.
- Significant answers, explanations and opinions.

2. The Company distributes resolutions of the shareholders' meeting via SET Community Portal within the same day of meeting date with full details as per good corporate governance standard. Also arranged minutes of the shareholders' meeting both in Thai and English and sends to the SET and other relevant units and broadcast such minute on the Company's website (at [www.pdgth.com](http://www.pdgth.com) "Investor Relation" Section) within 14 days since the meeting date on May 12, 2015, allow shareholders to review and propose correction if any content of such minute is imprecise within 30 days since the meeting date without having to wait until the next meeting. It also has a system to maintain minutes of shareholders' meeting to allow review and reference.

3. In the general shareholder's meeting 2014, the Company arranged to have visual and audio recording in the form of audio-visual media (AV) throughout the meeting to allow shareholders who did not attend the meeting to see the actual event, such media was posted on the Company's website after the meeting was finished.

4. After the Meeting agreed on the dividend payment, the Company notified shareholders about the Meeting resolution on dividend payment via SET Community Portal and collaborated with securities registrar at Thailand Securities Depository Co., Ltd to ensure that shareholders would receive dividends correctly and completely.

5. The Company uses suggestions and opinions given by shareholders and inspectors in the meeting assessment to find corrective measures to improve its administration of shareholders' meeting continually.

As a result of continuous improvement on the arrangement of the Shareholder's Meeting, the Company has been graded "excellent" in the quality rating assessment of the Annual General Meeting "AGM" arrangement in 2015, conducted by the Thai Investors

Association. Moreover, the Company has conducted a survey on the overall satisfaction of shareholders on the day of the meeting in 2015 using the Company's evaluation form. The satisfaction rating is 100% which is higher than the previous year.

#### **Site Visit and Knowledge Sharing for Shareholders and Investors**

In 2015, the Board of Directors has arranged a site visit activity for shareholders and investors attending the AGM on the same day after the meeting in order for them to meet and discuss with the Company's executives and encourage more understanding of the business, as well as to demonstrate distinctive features of products or equipment by field-specific experts. Visitors were also escorted to view the effective warehouse management system in order to be assured of the quality selection of products or equipment, storage and accurate and timely delivery, to best suit customers' needs and to create maximum satisfaction to customers.

The Company had conducted surveys on the overall satisfaction of shareholders visiting the site using the Company's evaluation form. The satisfaction score is said to be in a 'good-very good' range, accounting for 100%.

(For details on the Company's treatment towards stakeholders, please refer to Section 3 'Roles of Stakeholders')

#### **Section2: The Equitable Treatment of Shareholders**

The Board of Directors highly recognizes and values the rights and equitable treatment of shareholders as clearly indicated in the corporate governance policy under the section "Equitable Treatment of Shareholders", which covers major shareholders, minority shareholders, institution, and foreign shareholders. Although shareholders have different voting counts, but they are treated equitably with respect to basic shareholders' rights especially a timely access to information that will affect their voting decision in the Shareholders meeting.

Furthermore, shareholders shall be eligible for several basic rights as investors in securities and as shareholders possessing ownership of the Company, via standardized and reliable means. Shareholders are entitled to; independently purchase and sell securities in their possession; receive share certificates and transfer shares; acquire sufficient information in a timely manner and in an appropriate format for decision making; attend the meeting and cast votes in order to reach a resolution on any particular matters of the Company; elect and discharge directors; agree upon the appointment of the accounting auditor and identification of remuneration; participate in the profit sharing scheme in different approaches (cash dividend or any other formats in the future); make important transactions that can impact the Company's direction in operating the business; make amendments to the Memorandum of Association and the Company's regulations. In this regard, every shareholder's voting right depends on the number of shares held by each one of them, and one share is equivalent to one vote. No particular shareholder is more privileged than other shareholders.

Besides, the Board of Directors also put forth its efforts in various aspects to assure shareholders of the Company's equal treatment towards minority shareholders and prescription of policies regarding equal treatment, apart from what has been regulated by laws, as follows:

1. The Company allows opportunities for minority shareholders to propose meeting agendas and nominate qualified individuals to take the role of directors, 90 days prior to the meeting, from October 12, 2015 to January 12, 2015. Criteria and processes are available on the Company's website, in the "Investor Relations" topic, Corporate Governance/Information for Shareholders/AGM 2015 section. Shareholders have also been informed via the Stock Exchange of Thailand's information system. In case of agenda proposal or nomination of individuals, the Board of Directors will then consider whether or not to incorporate into the meeting agendas. The Chairman of the Meeting will inform the results of such proposal or nomination in the AGM and details will also be recorded in the meeting minute.
2. The Company always emphasizes on protection of shareholders' rights, by way of omitting the addition of meeting agenda without prior notice, especially for critical agendas that require an adequate amount of time to study the information in order to make any decisions.
3. The Company encourages shareholders to use the proxy (Form A) in a format that can direct how votes are casted (with reference to the Ministry of Commerce). This form will be sent together with the meeting invitation letter and 3 independent directors will be nominated, as well as their background information, as alternatives for shareholders to act on their behalf.
4. Ballots shall be used in every agenda, especially in the director appointment agenda whereby shareholders can vote individually, with the number of vote equivalent to the number of shares held per one appointment of a director.

Minority shareholders can also express opinions or file complaints to independent directors via [ind\\_dir@pdgth.com](mailto:ind_dir@pdgth.com). Independent directors will investigate these issues and figure out appropriate solutions, and they might as well propose the matters to the Board of Director's meeting, in case the issues are critical to the benefits of overall stakeholders or might affect the Company's business operations, in order to consider whether or not to incorporate into the AGM's agendas.

5. The Company allocates diverse communication channels for shareholders to equally get hold of information, which will be published via the Stock Exchange of Thailand's media vehicles and the Company's website.
6. The Company has prescribed protocols for wrongful use of internal information in the corporate governance policy; prohibiting directors, executives and staff members to make use of the information unless it has been published to the general public.
7. The Board of Directors has identified criteria and approaches in reporting the stakes of directors and executives in writing and shall be regarded as standard practices. In case directors or executives appear to have critical stakes that are of particular significance, the said directors shall refrain from voting and participating in the consideration of the relevant agenda, and this shall be recorded in the meeting minute.
8. The Board of Directors has regulated protocols and procedures in making connected transactions as determined by law and standards prescribed by the Securities and Exchange Commission and the Stock Exchange of Thailand. In case there are connected transactions, approvals must be sought after from the Shareholders' meeting prior to making transactions. Details regarding connected transactions will be disclosed in the meeting invitation letter, and in 2015, there were no reports of connected transactions (Please refer to the annual report for the approval procedure of the connected transactions).

### Section3: The Role of Stakeholders in Corporate Governance

The Company is well aware of all stakeholders' basic rights by law and is determined to stand for fairness to all parties for mutual benefits on a sustainable manner. The stakeholder policy has been prescribed in the corporate governance policy, featuring collaborations among companies and stakeholders, including shareholders, employees, customers, business partners, commercial opponents, creditors and the society as a whole, the environment (the neighborhood in which the Company is located). Details have been described in the corporate governance manual and the Business Code of Conduct to serve as guidelines for directors, executives and employees on the basis of fairness and the balance of mutual benefits. Key principles are resolutions for conflicts of interest, responsibilities towards shareholders, policies and treatment towards stakeholders. Directors, executives and employees are accountable for acknowledging, understanding and strictly practicing these regulations.

The Board of Directors oversees our management system to ensure that the Company acknowledges the rights of stakeholders, both as stated by law and as clearly written in the Code of Conduct. The Company guarantees that those rights are protected and the shareholders, employees, customers and business partners are treated equally as follows:

- **Shareholders:** The Company is determined to operate the business under the principle of good governance, intending to fairly create value-added features and returns to shareholders for maximum benefits, with an awareness of returns received and benefits generated. Apart from basic rights according to laws and regulations, shareholders are entitled to express opinions with regards to business operations as one of the owners of the Company via independent directors, who are responsible for taking care of minority shareholders. Each and every opinion will be consolidated and proposed to the Board of Directors. Shareholders' rights are explained in "Section 1: Shareholders' Rights".
- **Employees:** The Company always emphasizes on the importance of employees as they are invaluable assets of the Company, by way of equipping knowledge, ability and potential to compete. The Company aims to promote quality of work life, job satisfaction, pride and organizational engagement, as seen from fair remuneration and welfare package that are in accordance with individual performance and the Company's operating performance, while at the same time match with the market average in the same industry. Welfares and benefits are inclusive of provident fund, medical treatment welfare, personal accident insurance, financial aid in case of death of employees' or employees' family members' death, loan in case of necessity that are beyond legal regulations, as well as the emphasis on maintenance of occupational health and appropriate work environment. The Company also implements human capital development programs on a continuous basis for all levels of employees, such as internal and external training courses.

Also, the Employees' Code of Conduct is present in the Business Code of Conduct and disclosed on the Company's website ([www.pdgth.com](http://www.pdgth.com))

- **Clients:** The Company is firmly determined to deliver products and services with the best quality and in reasonable prices. It also places emphasis on; the provision of accurate information in a sufficient and timely manner; strict compliance with different terms and conditions towards clients; development and maintenance of sustainable relationship; creating satisfaction and engagement with clients; provision of systems and channels for clients to lodge complaints with regards to quality, quantity, safety and service; allocation of a dedicated function responsible for providing advices or instructions on how to use to products and services in order for maximum effectiveness and benefits for clients; provision of consulting service for any issues for clients' maximum satisfaction in products and services that are of international standards; keeping clients' information strictly confidential and never to use it for one's own benefits. The Company has prescribed policies and practices with regards to responsibilities towards clients which are detailed in the Business Code of Conduct and are also disclosed on the website ([www.pdgth.com](http://www.pdgth.com)).
- **Business Partners:** The Company is ethical in the purchasing and procurement processes and treats business partners with fairness under the principle of honest competition. The Company always ensures to keep commitments given to clients and partners and strictly abide by the contracts made with business partners in order to build trust, good relationship and collaboration, for purposes of uplifting potential and effectiveness in mutual business operations in the long run. It is the Company's policy to deliver goods on time while maintaining good quality. Policies and practices on responsibilities towards business partners are displayed in the Business Code of Conduct and on the Company's website ([www.pdgth.com](http://www.pdgth.com)).
- **Commercial Opponents:** The Company strictly abides by the principle of honest competition, with firm adherence to ethical and lawful business operations with regards to commercial competition. It will never conduct breach of confidentiality or attempt to obtain opponents' confidential information via deceptive means, but instead strictly abide by practices regulated in the Business Code of Conduct. In the previous year, there were no any disputes relevant to commercial opponents and the Company has prescribed policies and practices regarding treatment and responsibilities towards commercial opponents which are displayed in the Business Code of Conduct and on the Company's website ([www.pdgth.com](http://www.pdgth.com)).
- **Creditors:** The Company always keeps commitments and strictly follows terms and conditions of the contract with regards to its responsibilities towards creditors, both for creditors in the business sector and financial institutions. The Company will never be deceptive, conceal information or facts that will cause damages to creditors. Moreover, the Company participates in different activities/campaigns arranged by creditors in order to build good relationship and avoid any incidents that are prone to conflicts of interest. The Company has regulated policies and practices with regards to treatment and responsibilities towards creditors which are displayed in the Business Code of Conduct and on the Company's website ([www.pdgth.com](http://www.pdgth.com)).
- **Society and General Public:** The Company operates the business with moral and ethical values towards all stakeholders and always adhere to the ideology in business operations, by way of arranging activities that improve quality of lives and benefits for the society and the environment as a whole; in business premises, communities and vicinities, for instance, knowledge sharing sessions on safety, products, and services to clients in private and public sectors, as well as assistance given to institutes or communities in alleviating distress from floods or public hazards. Furthermore, the Company encourages employees and relevant bodies to serve as good citizens, contributing benefits to the communities and the society to mutually exist and grow in a sustainable manner. In spite of economic crisis, the Company still continues its social activities, putting key focus on creativity, knowledge and ability to enhance effectiveness in managing the campaign and maximize benefits for the society.
- **Environment:** The Company encourages every department in the organization to realize the significance of using resources effectively and anticipate development and growth simultaneously with quality of lives of citizens, as well as safe, clean and hygienic environment for employees and all groups of stakeholders. More details on social and environmental responsibilities are available in the topic "Social Responsibilities".

## Section 4: Disclosure and Transparency

The Company highly values communication and disclosure of material financial and non-financial information as well as its shareholder structure and management structure in a sufficient, complete, and timely manner to accurately reflect the Company's true operating performance, financials status, and future trend. It also discloses other material information that may influence the price of its securities. Disclosure of such information is consistent with guidelines and rules stipulated by the Securities and Exchange Commission and the Stock Exchange of Thailand and other standards and practices regarding business operation and financial disclosure. Disclosure of information is done through Investor Relations Division and several equally accessible channels with the following important guidelines:

### 1. The Company's Communication and Information Disclosure Channels

The BOD arranges to have communication and information disclosure channels to allow shareholders, investors, and other stakeholders to have convenient and equal access to the information through the following channels:

#### 1.1 Disclosure through Annual Registration Statement (Form 56-1) and Annual Reports (Form 56-2)

The Company prepares Annual Registration Statement (Form 56-1) and Annual Reports (Form 56-2), in which the Company's information is disclosed in a correct, complete, and clear manner according to SET's regulations to represent information regarding the Company's business conducts and performance in the past year that is useful to shareholders and stakeholders. Such information are as the Company's visions and missions, organization structure, capital structure, shareholder and management structures, nature of business and competition, corporate governance, risk factors, performance reports of the Board of Directors and Committees, policy and criteria for director and executive compensation, the number of meeting held and attended by directors and committees, assessment result of internal control, financial status and performance, statements of directors' responsibilities to financial reporting, policy for related transactions, reports on directors' interest, reports on securities holding of directors and executives, corporate social and environment responsibility, and investor relation information.

#### 1.2 Disclosure through SET Community Portal and PHOL's Website

The Company discloses information for its shareholders, investors, and other relevant parties through SET Community Portal "SCP", which is provided by the Stock Exchange of Thailand, both in Thai and English version. It also provides on-line disclosure channel on its Company's website at [www.pdgth.com](http://www.pdgth.com), which has been update regularly such as such as the Company's visions and missions, the Company's Memorandum, Articles of Association, Company Certificate, nature of business, organization structure, information of the Board of Directors, Committees, and executives, codes of conduct for the BOD and Committees, Corporate Governance and its policy, business ethics, Anti-Corruption Policy and Whistleblower protection rule information on investor relation, Annual Registration Statement (Form 56-1), annual reports (Form 56-2), meeting invitation letters, minutes of shareholders' meeting, downloadable forms to propose meeting agenda and nominate candidates for directors in advance, financial statement and management discussion and analysis by quarter, and press releases through the company's website: [www.pdgth.com](http://www.pdgth.com).

#### 1.3 Investor Relation Division

The Company establishes Investor Relation Division to represent the Company in the communication and public relation of activities and information useful for shareholders, investors, securities analysts and other interested persons. This is done to ensure that such persons receive the Company's information in a timely manner and to facilitate persons who wish to request additional information, visit the Company, or visit executives. Investors can contact Investor Relation Division via email: [ir@pdgth.com](mailto:ir@pdgth.com) or telephone number 0-2791 0111 ext. 206 or the Company's website.

#### 1.4 Secretary Office

The Company sets up Company Secretary Office to be responsible for administration of high-level meetings, such as meetings of the Board of Directors, meetings of Committees, and shareholders' meeting. It is also responsible for monitoring and ensuring that the Company, the BOD, and the Company's executives comply with regulations stipulated by regulatory bodies and the laws, as well as collaborating with shareholders, stakeholders and regulatory bodies such as SEC, SET, or other relevant entities. Investors can contact Company Secretary Office via email: [cs@pdgth.com](mailto:cs@pdgth.com) or telephone number 0-2791 0111 ext. 151

## 2. Disclosure of Information about the Board of Directors and Committees

The Board of Directors arranges to have disclosure of information about the Board of Directors and Committees through several channels. Such information includes structure and components of the Board of Directors and Committees, roles and responsibilities, terms, number of meetings of the BOD and Committees and attendance of each director and committee, nomination of directors, policy and criteria of director and executive compensation, and report of performance of the Board of Directors and each Committee.

## 3. Report of Performance of the Board of Directors and Committees

The BOD is responsible for ensuring that the consolidated financial statements (audited by the Company's auditor) of the Company and its subsidiaries and financial information reporting are always completed according to financial reporting standards, to be used accounting policies are appropriate and consistently including material information is sufficiently disclosed in the notes to financial statements. The BOD reports responsibilities of the BOD to financial statements together with auditor's report. The committees report their operating in the past year, to propose to the shareholders in the company's 2015 annual report.

In 2015, the Company submitted annual and quarterly financial statements within the timeline and manner according to criteria specified by Companies Act. B.E 2535, Securities and Exchange Act B.E 2535 and Securities and Exchange Commission and did not receive any notification for correction from the SEC to correct its financial statements

## 4. Preparation of Related Transactions and Protection against Conflicts of Interest

The Board's Policy is prohibited all concern person; directors, executives and staff to be used their opportunity to pursuit of self-interest written in the Corporate Governance Policy Manual, Code of Conduct and Conflict of Interest Guideline. There are rules for directors, executives and employees to avoid self-dealing transactions that may have a conflict of interest with the Company and its directors, executives or employees who have an interest in the said transaction must not be involved in the approval process, requiring the disclosure of which may constitute a conflict of interest and transactions that are significant. The said transaction of preventing conflicts of interest and substantial related transactions be reported by showing names of persons with possible conflicts of interest, relationships, nature of transactions, conditions, pricing policy, values of transactions, needs for transactions, taking care of more valued for shareholders is important and the opinions of Audit Committee and/or the Board of Directors as shown in Annual Registration Statements (Form 56-1) and Annual Reports (Form 56-2) determines to have a following reports prepared:

### 1. Preparation of Disclosure Report on Conflicts of Interest and Related Transactions

The Company demands that transactions with possible conflicts of interest and substantial related transactions be reported by showing names of persons with possible conflicts of interest, relationships, nature of transactions, conditions, pricing policy, values of transactions, needs for transactions, and opinions of Audit Committee and/or the Board of Directors as shown in Form 56-1 and annual reports detailed information is shown in "Related Transactions"

In order to adhere to the Principles of Corporate Governance. The Board of Directors has established guidelines on conflict of interest, requiring Directors, Executive and Employees are required to report any conflicts of interest to the Board by yearly basis one time per year. In case if there is a conflict of interest regarding above guideline of the declaration and effectiveness, which is published on the company's website.

In 2015, the Company did not engage in activity that violates or is inconsistent with criteria of related transactions specified by the SEC and the SET.

### 2. Preparation of Report on Securities Holding and Change of Securities Holding

The Board of Directors demands that directors, executive directors, and executives (according to definitions given by the SEC and the SET) report their securities holding and their related persons' securities holding, according to Chapter 59 of Securities and Exchange Act in the following fashion:

- 1) Reporting of securities holding to the Office for the first time (Form 59-1) within 30 days since the date that a person is appointed to be a director or an executive
- 2) Reporting of the change in securities holding (Form 59-2) whenever there is selling, buying, transferring or receiving of the Company's securities within 3 days since the date that the transaction occurs

Company Secretary is responsible for reporting changes in securities holding to the Chairman of the Board and Chairman of Audit Committee within 3 days after the Company receives such report, summarizing changes in securities holding to the Board of Directors every quarter, and maintaining reports on securities holding and reports on interest that directors and executives submit to the Company.

In 2015, no significant changes of shareholding. The directors and executives' holding of the Company's securities was reported in the Meeting of the Board of Directors every quarter. In addition, the Company also provided the summary of directors and executives' holding of the Company's securities as of February 29, 2015 as shown under Section "Shareholder Structure".

### 3. Preparation of Report on Interests of Directors, Management, and Related Persons

The Board of Directors has regulated the directors, executives (according to words of appreciation of the Securities and Exchange Commission) and relevant parties to enforce Section 89 of the Securities and Exchange Act in preparing and submitting the stakeholder report in order to keep the Company informed of directors', executives' or any related parties's stakes (including all the changes in those stakes), that are relevant to management and administration of the Company or its subsidiaries. The Company Secretary will be compiling and submitting copies of these documents to the Chairman of the Board, who will then examine, verify and summarize all the changes and movements to the Board of Directors every 6 months. This endeavor is considered a way to urge directors and executives to perform duties with honesty, based upon the following criteria and procedures:

- Report when assuming director or management position for the first time.
- Report every time that the information on interests change or every 6 months.
- In the case that directors are relieved and reappointed immediately, such directors need not file new report of interests if there is no changes from the previous filing.
- All directors, executives, and employees report conflicts of interest annually in December and during the year on a case-by-case basis if such transactions occur (additional items).

### **5. Monitoring the Use of Internal Information**

The Company places emphasis on the disclosure of information and transparency, declaration of financial and operational information in a timely, accurate, complete and reliable manner to shareholders, investors, security analysts and the general public. The Board of Directors is determined to monitor legal compliance, observation of relevant regulations, disclosure of information and transparency in accordance with Section 59 of the Securities and Exchange Act (the amended version B.E.2551) and/or the Securities and Exchange Commission. The Company has identified individuals with direct and indirect relevance to the information or assigned delegates who can provide accurate and factual information with cautions.

The Board of Directors strictly enforces the policy on Anti-Insider Trading on the company's directors, management and any employees engaging in or having access to material non-public information, which if disclosed, may affect the price of the company's shares. All personal must retain and not disclose any material information before its reported to SET and SEC. Breaches of the said policy results in severe consequences as follows to the guidelines in the Code of Conduct of the Company.

1. Directors, executives, staff and employees of the Company shall keep the company's secrets and/or inside information confidential and not disclose secrets and/or inside information or exploit it for their own benefits or others' benefits in a direct or indirect way and with or without benefits.
2. Directors, executives, staff and employees of the Company shall not trade, transfer or receive the Company's securities by using secrets and/or inside information; and/or entering into any transactions by using secrets and/or inside information that may cause damages to the Company in a direct or indirect way.
3. All concerned persons are prohibited from trading Company securities within 30 days period prior to release of the Company's quarter and annual financial statements, and for 24 hours after the public disclosure (Blackout Period).
4. Should they have knowledge of confidential information that could have any impact on the Company's securities price, they are prohibited from trading Company securities until 24 hours after the public disclosure.
5. In addition, the Board of Directors will monitor all required actions in accordance with the related measures. Any changes in a director's, top executive or related person's shareholding must be reported to the company secretary who shall further report it to the Board of Directors' meeting for acknowledgement.

The control of internal information of the company has been specified in the employees working rules and its applied at all levels. Under the discipline and punishment section stated any employee who violate or fail to comply with the prescribed

regimen, shall be deemed as disciplinary breach and must be punished according to the offense committed. The principal behind this rule is “Employee who is committed to reveal the company’s information, deliberately discredit the company’s image, trust, and product which cause the company to suffer or loss the business opportunity”. Employee who is committed will be severely punished and the extreme case is fired.

#### **6. Whistleblower and complainant or in case of Infringement**

The Company has provided whistleblowing channel through which the Audit Committee of the Company can be informed of any suspicious circumstance or misbehavior. The Company has also put in place the procedures to handle with any complaint and the complainant protection measures as stipulated in the Code of Conduct. The protection mechanisms to the whistleblower or complainant or Infringed person(s) as stated in the Anti-Corruption Policy and published on the company’s website [www.pdgth.com](http://www.pdgth.com)

##### Whistle Blowing and Notice of Complaint

1. Email: The Audit Committee

Email: [ind\\_dir@pdgth.com](mailto:ind_dir@pdgth.com)

2. Mail directly to:

The Audit Committee

Through Chief Internal Audit Officer

Phol Dhanya Public Company Limited

1/11 Moo. 3, Lamlukka Road, Ladsawai, Lamlukka, Pathumthani 12150

Tel. (662) 791 0111 Email : [ind\\_dir@pdgth.com](mailto:ind_dir@pdgth.com)

or website : [www.pdgth.com/ir\\_index.php](http://www.pdgth.com/ir_index.php)

Board of Directors : [cs@pdgth.com](mailto:cs@pdgth.com)

Audit Committee : [ind\\_dir@pdgth.com](mailto:ind_dir@pdgth.com)

Company Secretary : [cs@pdgth.com](mailto:cs@pdgth.com)

If you have another question or concern about corporate governance policy or anti-corruption policy, Please contact: Secretary Office: Company Secretary

Tel. (662) 791 0111 ext. 151

Email: [cs@pdgth.com](mailto:cs@pdgth.com)

However, the Company has monitored whistle blowing reports or complaints lodged through channels provided. In 2015, there were no any implications for dishonesty or corruption, as suggested by the Internal Audit department’s investigating report.

#### **7. Disclosure of Major Investment Projects**

The Company discloses key information via the Stock Exchange of Thailand’s communication systems, under the principle of transparent and timely disclosure of information. The Board of Directors’ meeting no.9/2015, dated December 14, 2015 had approved of the purchase of the subsidiary “Phol Dhanya (Cambodia) Co., Ltd.’s common stocks from joint ventres for 9,000 shares, accounting for 30% of purchased registered capital. After the acquisition, Phol Dhanya PCL’s ownership is 100% of the entire registered capital while share prices have been paid in full. The process has been completed in December 2015.

#### **8. Investor Relation**

The Company has disclosed the information as regulated by the Securities and Exchange Commission and the Stock Exchange of Thailand, together with an arrangement of investor relation staff members to cautiously perform duties in providing accurate, complete and timely information to shareholders, minority investors, institutional investors, securities analysts and/or government agencies with equality and fairness. The Investor Relation division is also in charge of providing an explanation to any rumors, incorrect news or information to shareholders via different channels, hosting a meeting with executives and site visits, attending to queries via phone calls or e-mails, publishing information via the media, preparing press releases and disclosing current affairs for each accounting period and the quarterly MD&A on the Company’s website ([www.pdgth.com](http://www.pdgth.com)), Investor Relation menu, in order to equally keep all stakeholders informed.

Apart from abiding by the Employee Code of Conduct, the Board of Directors has also prescribed the following practices:

### Investor Relation Code of Conduct

1. Disclose necessary and important information thru public under accurately, sufficiently and in time for safety sake to all.
2. Keep confidential of company information. Not abuse those relevant information which lead to their own as well as others' benefit.
3. Disclose information in fair and just. Allow stakeholders to access and inquire all relevant information by contact Investor Relation with good manner and precisely clarification.
4. Perform as professional in good practice with integrity and fair. Avoid all discrimination, bribery that may lead to any own benefits beyond company and stakeholder.
5. Build up good image, perception and attitude toward company as well as have good relationships among concern parties.
6. Abide strictly to Company's guidelines upon internal information and stock trading.
7. Perform as professional with good knowledge and high competency.
8. Keep continue in learning and improve regularly.

In 2015, The Company administered several activities to allow top executives to regularly meet with retail investors, institution investors, analysts, and press. Presentation of the Company's performance and other activities can be summarized below:

- Participated in one time Opportunity Days Events, hosted by the Stock Exchange of Thailand, to give presentation on the Company's performance for year 2014 on March 2015 and the Company's performance for six months year 2015 on September 2015.
- Welcomed the shareholders and investors to meet executives and visit the Company for 1 time. (On AGM 2015 date)
- Participated mai Forum 2015 for providing products and distributed PHOL's information to investors who attended, organized by MAI and Co-Host of Listed Company in maiA.
- Hosted regularly published press releases containing business movements, performance results, and photos of the Company's activities
- Constantly participated in trade shows relevant to the Company's business, including "Thailand Industrial Fair 2015" in February and "Safety Week 2015" in July
- Participated in Stock Mart Project in an investment expo "SET in the City 2015" by providing the Company's products to advertise and distribute PHOL's information to investors who attended the expo.
- Support the Company's annual report CD to distribute PHOL's information to investors who visit SET's booth in Money Expo Bangkok.

In addition, PHOL provides the Company's information, performance results, financial statements, presentations, and information report that the Company submitted to the SET on its website at [www.pdgth.com](http://www.pdgth.com) both in Thai and English to allow all interested persons to receive equal information. Should any shareholders, investors, or interested persons have any inquiry or wish to meet executives and visit the Company, they can contact Investor Relation Division at Tel: 0-2791-0111 ext. 206 or Fax: 0-2791-0100 or email at [ir@pdgth.com](mailto:ir@pdgth.com) or through the Company's website.

## Section5: The Board of Directors' Responsibilities, Structure, and Sub-Committees

### 5.1 The Structure of the Board of Directors

The Board of Directors comprises knowledgeable, competent and experienced persons who can be attributable to the benefits of the Company and are responsible for drawing up corporate policy and collaborating with the top executives in making operating plans, both short-term and long-term, including financial policy, risk management policy, and organizational overview. The Board plays an important role in overseeing, monitoring and assessing the performance of the Company and top executives to be in compliance with the designated plans on an independent basis.

In 2015, the Board of Directors is formed of 9 directors; comprising of 4 independent directors, 1 non-executive director and 4 executive directors. The number of independent directors is one-third of the total number of directors, creating good balance in making decisions and approvals on different matters, as well as for the benefit of the management's operational investigation. Nonetheless, the number of independent directors and their qualifications have to be in accordance with the Securities and Exchange Commission's regulations; the minimum proportion of independent directors to the total number of directors is one-third,

or 44.44% of the total number of directors. The names and definition of independent director are explained in the Annual Report 2015, under the Management Structure section.

### **Leadership and Vision**

It is the Board of Directors' significant role to identify organizational vision and strategies in anticipation of sustainable growth. In the Board of Directors' meeting no.1/2015, dated January 18, 2015, it was agreed that the vision and mission statements shall be reviewed on an annual basis in order to be coherent with the changing environment and the new criteria that have been adjusted to match with the ASEAN CG Scorecard as advised by the IOD. The Board has thus revisited the Company's vision and mission statements in order to direct members of the organization in the same path. However, no alterations have been made so far.

The Board of Directors had arranged for an operational meeting with high-level executives, with the objective of developing strategic plan for sustainable growth (short-term and long-term) on October 23-25, 2015 at Chaiphruet Resort, Nakhon Nayok. On this occasion, experts in strategic planning and human resource management were invited as trainers in preparation of the Company's long-term strategic plan, as well as the identification of organizational KPIs for 2016.

In this meeting, the Board of Directors had agreed to adjust the Company's vision and mission statements in order to be ready for the introduction of the ASEAN Economic Community within 2020. The revised vision and mission statements were made effective on November 10, 2015 and were announced organization-wide.

On this occasion, the Company seized the opportunity to hold an orientation session for the new director "General Chaiwat Sathondee", as part of the Company's policy and procedure. The new director has been formally introduced to the executives and delivered the Director Manual at the same time.

### **5.2 Sub Committees**

The Board has further established sub-committees, namely, the Executive Committee, Audit Committee, Nomination and Compensation Committee and Risk Management Committees to be responsible for their specific areas and report directly to the Board for its consideration or reference. In this regard, the company put in place its Committee Charter specifying rights and duties, which is published on the Company's website. Moreover, an evaluation of the sub-committees' performance and review of their operational results are conducted at least once a year. The Board of Directors is entitled to form other sub-committees to handle any specific situations as seen appropriate with various situations.

#### **5.2.1 Audit Committee**

Audit Committee consists of 3 independent members, each of whom is highly experienced and well-regarded in auditing and/or finance-related fields. Assoc. Prof. Dr.Seksak Jumreornwong and Mr.Noppadol Dheerabutrungkul are responsible for the review of financial statements, the review of internal control and risk management systems, and the review of financial transactions to make sure that the said processes are in compliance with rules set forth by regulatory bodies and updated and adjusted to align with international standards.

Audit Committee exercises its delegated power and gives opinions independently and without interference. In practice, it exercises its power through Internal Audit Department, an operating unit directly reporting to Audit Committee, and through periodically consulting with external auditors, consultants and legal and accounting experts. Audit Committee and external auditors convene without the presence of management at least once a year. Audit Committee can also seek for advice from external, independent adviser on a case-by-case basis with the expense budget provided by the company.

In 2015, there were 6 (six) Audit Committee meeting, each of which was fully attended.

#### **5.2.2 Nomination and Compensation Committee**

The Nomination and Compensation Committee is comprised of 3 directors and at least 2 independent directors. The Chairman of the Committee must be an independent director in order to; consider, review and identify qualified individuals to assume the director position in replacement of directors whose tenure is terminating; be the champion in succession planning to identify individuals to fill high-level executive vacancies from the Director position and above; review the organizational structure, components and directors' qualifications; determine whether or not they are equipped with knowledge of business operations, performance evaluation system imposed upon the Board of Directors and different committees; monitor market changes and trends with regards to remuneration management for the Board of Directors in order to approve of or propose to the shareholder's meeting. In this regard, the Company utilized the Director Remuneration Survey 2013 conducted by the Thai Institute of Directors as criteria

in considering remuneration packages for directors and executives, which were then proposed as the remuneration policy that can potentially serve to retain and motivate directors to generate value-added features to the business for sustainable growth.

In 2015, there were 3(three) Nomination and Compensation Committee meeting, each of which was fully attended.

### **5.2.3 Risk Management Committee**

The Risk Management Committee is comprised of non-executive directors, directors, executives or experts from the outside or relevant bodies of not more than 5 individuals. Mr. Teeradej Jarutangtrong, one of the Company's directors, has been appointed Chairman of the Risk Management Committee, and the Board of Directors' meeting no.1/2016, dated January 18, 2016 has appointed Dr. Pramuk Vongthanakiat, an independent director, to serve as a member of the Risk Management Committee, effective from January 18, 2016, increasing the number of Risk Management Committee members to 5 individuals altogether, comprising of 1 independent director, 3 executive directors, 1 qualified director and 1 qualified advisor, for maximum benefits in effectively managing risks that might affect the achievement of the Company's objectives.

In 2015, the Risk Management Sub-Committee is appointed from the Board of Directors and is delegated the tasks to set up risk management policy, establish risk management strategy, set up the structure of and resource available for the Sub-Committee that is enough and suitable for the risk management policy and company's business strategies and revise risk management policy, strategies and methodologies to ensure that the company has sufficient and effective strategies and processes in place.

The Risk Management Sub-Committee is required to report its activities regarding the Charter of Risk Management Committee to the Board of Directors and Audit Committee at least once a quarter. The opinions and feedbacks of the boards and the committees are used to improve the performance of the Sub-committee.

In 2015, there were 5(five) Risk Management Committee meeting, most of which were fully attended.

### **5.3 Segregation of Duties**

The Company clearly determines management structure and appropriately segregates the roles and responsibilities of the Board of Directors and those of management to match with the nature of its business. Essentially, the Board of Directors is responsible for determining policies and supervising the performance of top executives in the organization-level, while management are responsible for the execution of policies to achieve determined objectives and the constant monitoring of the operating results through minutes of its monthly meeting. The Board of Directors do not generally interferes with the management's performance, except that it will participate in finding solutions with management in the case that management cannot perform according to the business plan.

The Chairman of the Board is a non-executive and does not participate in the management of the company that has no power of signatory on behalf of the company in order to separate the duties between supervision policies in overall picture of the management of the company. Therefore, Chairman of the Board and Chairman of Executive Committee or Chief Executive Officer are not the same person. Persons to assume both positions must be appointed by the Board of Directors and can be external, non-executive persons. Such conditions are set to help find the most qualified persons to assume the roles of leaders who will steer the Company to sustainable growth.

### **5.4 Recruitment of Directors and Executives**

The Board of Directors has ensured that the recruitment and selection process for directors and high-level executives are conducted with transparency, under close supervision of the Nomination and Compensation Committee in prescribing qualifications and criteria in selecting successful candidates to take leadership positions, in order to propose to shareholders and/or the Board of Directors. There are steps and criteria to follow with regards to the selection process, as well as the utilization of Board Matrix as part of the consideration (more details are available in the Management Structure section, No.7 Recruitment of Directors and Executives).

In 2015, the Board of Directors' meeting no.6/2015, dated October 12, 2015 has approved of the new organizational structure adjustment, by adding the Managing Director position and Business Development division in order to suit the Company's vision and mission for sustainable growth. The Nomination and Compensation Committee has identified qualified individuals to assume those positions. The Board of Directors' meeting no.1/2016, dated January 18, 2016 had appointed a high-level executive, Mr. Pornsak Chuhajinda, Chief Financial Officer and Managing Director of "Phol Water Co., Ltd." to take the Managing Director position, and promoted Mr. Payothorn Mungthong, currently in the positions of Sales Director of safety products and Managing Director of "Phol Palladium Co., Ltd." to be Senior Sales Director of safety products. There have not been any appointments of qualified individuals for the Business Development division so far.

### 5.5 Board of Directors' Meeting

The Board of Directors' meetings for the whole year are normally scheduled ahead of time in order to allow directors to properly manage their time. There were 9 meetings in 2015 (including 1 additional meeting), whereby meeting plan and agendas were determined beforehand. The Chairman of the Board and the Chief Executive Officer and/or the Chairman of the Executive Committee will jointly consider matters to be incorporated into the agenda, issues to inform, monitor or consider (if any). The Company Secretary will distribute meeting invitation letters together with the meeting agendas and supporting documents with complete information to each director at least 5 working days before the meeting in order for them to study the information before the meeting. Further information can be requested from relevant parties. In case there are any urgent agendas that might affect business operations or opportunities, an agreement from the Chairman of the Board must be sought after on a case-by-case basis (however the Board of Directors' meeting must be in accordance with the Company's regulations).

The Chairman of the Board, who is also the Chairman of the meeting, is responsible for leading and controlling the meeting to run smoothly and encouraging all directors to independently express their opinions and make decisions without being influenced with no proper reasons, and allocating plenty of time for discussions of key matters. In this regard, high-level executives or relevant parties, such as directors or executives of the subsidiaries, might be invited along to provide explanations or information supporting decision making on specific issues (if any). The Chairman of the meeting shall make final decision and derive conclusion of the meeting. In case of agendas in which the directors might have any stakes or conflicts of interest, they are prohibited from participating in decision making and must leave the meeting room, to be in accordance with the corporate governance direction and other directors' independence in decision making. After the meeting, the Board Secretary shall compile the meeting minute in writing with complete and accurate information. The approved meeting minute shall be kept systematically and regarded as the Company's confidential documents, which should be kept in hard copies and electronic copies for convenience for searching and reference. The documents are normally kept for at least 5 years with the Company Secretary, at the Corporate Secretary Office.

With reference to the corporate governance policy, the quorum is met only when the number of directors attending the Board of Directors' meeting is not less than two-thirds of the total number of directors. At the time of voting, the number of directors must not be less than three quarters of the total number of directors attending the meeting in order to reach the minimum quorum and it is encouraged that directors' attendance record shall not be less than 75% of the total meeting for the whole year. In 2015, attendance record has been quite consistent; the average attendance of each director is 89.90% of the total number of meetings (9 meetings).

The Board of Directors has constantly been monitoring organizational strategies and operating performance report in comparison with targets on a quarterly basis. Suggestions that are beneficial to the improvement of strategies are then duly made. For months that do not have the Board of Directors' meeting, directors will receive a summary report of the Company's and subsidiaries' operating performance (if any). These documents together with important news and updates of the Company, including criteria or regulations related to the Stock Exchange of Thailand and the Securities and Exchange Commission are sent to directors via e-mail by the Company Secretary.

Nevertheless, the Company Secretary also performs the role of the Board Secretary in taking actions with regards to the arrangement of Board of Directors' meetings and Shareholders' meetings, as well as provision of supports to the Board of Directors on any matters relevant to rules of law and regulations.

#### Directors' Meeting without Presence of Executive Directors

The Board of Directors had once arranged a meeting among directors without the presence of executive directors in order to discuss general issues with regards to management and administration of the business, as well as consultations of various matters related to corporate governance or improvement of various aspects. Results of discussion and any actions taken shall be reported to the Chief Executive Officer and the Board of Directors' meeting in due occasion.

#### The Role of Chairman

The Chairman was the acting Chairman of the Board Meeting of the Company, if the Chairman is not present at the meeting or is unable to perform his duties. If there have Vice Chairman, the Vice Chairman shall act as the Chairman of the Meeting, but if there haven't Vice Chairman or is unable to perform their duties, the Board members shall be elected the Chairman to be the Chairman of the Meeting.

The Role of Chairman as follows:

1. Provide the Board of Director's Meeting Plan in advance. (yearly)
2. To setting the Agenda items for the Meeting of Board of Directors, gathering with Chief Executive Officer as well as screening.
3. To conducts the meeting in accordance with the Articles of Association and law regulations.
4. To conducts the meeting in the order specified in the notice of the agenda meeting to achieve smoothly transition.
5. To create and provide an enquiry to suggestion or answer questions to the Board of Directors.
6. Counseling support and promoted management team to work an assignment as well.
7. Analysis, suggestions, comments and find solutions to considered and make decisions for significant matters.
8. Majority voting, if the vote are tied, The Chairman of the meeting shall cast the decisive vote unless otherwise stipulated by law.
9. Monitoring of compliance with the resolutions of the Board of Directors in each subject, or delegated to the Company Secretary by specifics subject.
10. Other (If any)

## 5.6 Secretary of the Board of Directors and Company Secretary

### Company Secretary

The Company agreed to appoint Miss Saowapa Choorujiporn to be Secretary of the Board and Company Secretary to perform duties specified under Securities and Exchange Act.(4thAmendment) B.E. 2551. She was to perform the roles defined in a responsible, careful, and honest manner, as well as to serve as Secretary of the Board and other committees as assigned including the activities of the commission and Board's resolutions duties are:

1. Prepare and maintain the following document:
  - a. Director registration.
  - b. Letter of invitation to the meeting of directors, minutes of the meeting of directors, the Company's annual reports.
  - c. Letter of invitation to the shareholders' meeting and minutes of the meeting of directors.
2. Maintain reports on interests that are submitted by directors or executives and submit copies of such reports according to Chapter 89/14 to Chairman of the Board and Chairman of Audit Committee within 7 days since the date that the Company receives such reports.
3. Perform any other functions stipulated by Capital Market Supervisory Board.

In addition, Company Secretary also has other duties as delegated by the Board of Directors including:

- Administer the meetings of the Board of Directors, Executive Committee, and other Committees
- Administer the shareholders' meeting and prepare minutes of the shareholders' meeting
- Ensure that the Board of Directors comply with the laws and regulations relevant to the business of the Company.
- Provide information support on Corporate Governance to the Board of Directors.
- Perform any other tasks pertaining to the Board of Directors, Management, and shareholders.
- Monitor to ensure that the resolutions of the meeting of the Board of Directors and shareholders' meeting are executed.
- Collaborate with internal units to abide by resolutions of the meeting of the Board of Directors and shareholders' meeting.
- Collaborate with regulatory bodies such as SEC and SET and administer information disclosure and information reporting to regulatory bodies and the public to ensure that it is done correctly according to the laws.
- Perform other tasks as stipulated in Securities and Exchange Act (4thAmendment) B.E. 2551, other relevant laws and regulations, as well as notifications and regulations of Capital Market Advisory Board.
- Perform any other tasks delegated by the Board of Directors.

The company secretary is selected based on secretary qualifications and skills and is structured under the Secretary Office, the department that is responsible to ensuring that secretary work is in compliance with laws, regulations, and the principle of corporate governance.

In 2015, the Company Secretary attended the seminar to get informed of the changes in relevant criteria of the regulatory body in charge of listed companies in order to improve the Corporate Secretary Office's operations and effectiveness of the corporate governance execution.

## **5.7 Performance Assessment and Knowledge Development**

### **5.7.1 Directors' Performance Assessment**

The Company has directed the Board of Directors to conduct self-evaluation on the overall performance in order for each of the director to assess their performance on an annual basis. This evaluation shall be used as the framework in examining the Board of Directors' performance in following corporate governance policies that have been approved of and/or observing good practices for listed companies, in order to improve the Board of Directors' operations to be coherent with the prescribed policies, to review the outcomes, issues and obstacles arising throughout the year to enhance effectiveness of the Board of Directors' performance.

The Board of Directors allowed the use of self-evaluation approach as suggested by the Stock Exchange of Thailand. The form has been modified to cover and suit the Board of Directors' performance in all aspects. The evaluation criteria are categorized into 6 topics (1) structure and qualifications of the Board of Directors (2) roles, duties and responsibilities of the Board of Directors (3) Board of Directors' meetings (4) Board of Directors' performance (5) relationship with the management and (6) directors and executives' self-improvement.

The Board of Directors' evaluation is carried out upon consideration of the overall performance as a group. Each director's average score will be used to assess the overall performance. The results turned out that directors are well qualified and have appropriately performed duties as they are supposed to, though it has been suggested that the development plan for directors shall be developed and the succession plan for executive positions shall be more comprehensive. The overall performance score is 98.75, which is considered excellent. In 2015, there have been no individual evaluations for directors just yet.

### **5.7.2 Committee Performance Assessment**

#### **Audit Committee**

The Audit Committee has conducted performance evaluation annually, using the self-evaluation form for the whole group as suggested in the Audit Committee evaluation manual, guided by the Securities and Exchange Commission, which is categorized into 2 parts:

Part 1. The act of the Audit Committee have a duties as defined in the Audit's Committee Charter as assigned by the Board of Director.

Part 2. Specific their duties are to review the Company's financial reporting is accurate and adequate.

The Audit Committee has reported the self-evaluation form for the year 2015 to the Board of Directors in the meeting no.2/2016, dated February 23, 2016. It has been summarized that components, qualifications and operations of the Committee are all in accordance with the guidelines and directions of the Stock Exchange of Thailand. The group has been successful in performing duties as assigned by the Audit Committee's Charter.

The Audit Committee's report has been prepared and declared together with the accounting auditor's report which were proposed to the AGM in the topic "Audit Committee's Report".

#### **Nomination and Compensation Committee**

The Nomination and Compensation Committee has carried out the performance evaluation activity every year, using the self-evaluation form suggested by the Stock Exchange of Thailand as a guideline. The criteria are categorized into 3 main topics (1) structure and qualifications of the Committee (2) the Nomination and Compensation Committee's meetings and (3) roles, duties and responsibilities of the Nomination and Compensation Committee.

The Board of Directors ratified the self-evaluation conducted by the Nomination and Compensation Committee that the structure and qualifications are satisfied, as evident from the group's success in carrying out assigned responsibilities as regulated in the Committee's Charter. The performance score is 98.75, which is considered excellent and the Nomination and Compensation Committee report 2015 has been compiled and displayed under the topic "Nomination and Compensation Committee's Report".

### **Risk Management Committee**

The Risk Management Committee has conducted performance evaluation activity every year, using a self-evaluation form that is inclusive of the structure and qualifications of the committee members, meetings and performance of the Committee. The Board of Directors has approved of the Risk Management Committee's satisfactory performance according to the Charter, with the full score of 100. The Risk Management Committee's report 2015 has been presented under the topic "Risk Management Committee's Report".

### **5.7.3 CEO and Top Executive Performance Assessment**

The Board of Directors is comprised of non-executive directors who can evaluate the Chief Executive Officer's performance for the year 2015 whereby the results shall be used in consideration of remuneration. Performance criteria are coherent with the Company's key performance indicators that have been agreed upon by the Board of Directors. The evaluation form is categorized into 3 parts; 75% is the achievement of organizational KPIs as opposed to the annual targets, 10% is the person's core competency and 15% is managerial competency, all of which have been thoroughly considered by the Nomination and Compensation Committee and approved by the Board of Directors. In notification of the evaluation results and directors' comments to the Chief Executive Officer, the Chairman of the Executive Committee has been assigned this duty for future improvement of performance.

The Nomination and Compensation Committee is eligible for making approvals of performance evaluation results of high-level executives from the Director position and above. The main criterion is the achievement of KPIs in comparison to the set target for each individual executive.

### **5.8 Directors Orientation**

The Company determines that there shall be an orientation session for new directors for each new appointment. Director manual and other useful information will be provided to new directors in order to ensure their readiness to perform duties within one month after the appointment.

The Company Secretary is responsible for coordinating the following matters:

1. Acknowledgement: Company Certificate, Memorandum of Association, nature of the business, business structure, director structure, directors' scope of duties, the Stock Exchange of Thailand's manual, director manual for listed companies (volume 1-3), the SET- and SEC-relevant laws/regulations, corporate governance manual, Business Code of Conduct, Company policies, corporate governance practices, references that are available on the website, etc.

2. General information about the business: This features details on the Company's direction in business operations to encourage knowledge and understanding of different aspects of the business and/or give advices to the management of matters that should be understood.

3. Arrangement of meetings and discussions with the Chairman of the Board/Committees and Chairman of the Executive Committee/Chief Executive Officer to ask profound questions with regards to the Company's business.

During the year 2015, a new director has been appointed in replacement of the resigned director, which is General Chaiwat Sathondee, who has replaced Mr. Thanya Wangthamrong for the remaining period of 7 months (October-April), effective from October 12, 2015. An orientation session was held and the director manual was handed over on October 23, 2015.

The Company has arranged a training program called Director Certification Program "DCP", hosted by the IOD. The training period will last from January to May 2016.

### **5.9 Knowledge Development for Directors and Company's Secretary**

The Board of Directors places great emphasis on the development of directors, executives and the Company Secretary. New directors are required to attend one module of the training course related to director's execution of duties hosted by the Thai IOD, especially for the Director Certification Program (DCP) or Directors Accreditation Program (DAP), as well as other courses relevant to directors' performance. The Company's 5 directors have already attended the DCP course and another 5 directors have attended the DAP course. Each year the IOD's curriculum will be sent to directors for consideration to attend. Moreover, the Company fully encourages participation of seminars hosted by the Stock Exchange of Thailand or the Securities and Exchange Commission and other relevant institutions in order to constantly enhance knowledge in work performance.

In 2015, directors who have attended training sessions hosted by the IOD and other institutes are as follows:

**Part 1: Director's Training IOD's Course Year 2015 as follows:-**

| No. | Director's name                    |                                     | IOD's Course   |
|-----|------------------------------------|-------------------------------------|--|
| 1   | Prof. Pornchai Chunhachinda, Ph.D. | Chairman                            | <ul style="list-style-type: none"> <li>Director Certification Program Update (DCPU) class no. 5/2015</li> <li>Ethical Leadership Program (ELP/2015)</li> </ul>   |
| 2   | Asso. Prof. Seksak Jumroenvong     | Independent Director                | <ul style="list-style-type: none"> <li>Advance Audit Programs Class (AAP) class no. 19/2015</li> <li>Successful Formulation &amp; Execution of Strategy (SFE) class no. 25/2015</li> <li>Risk Management Program for Corporate Leaders (RCL) class no. 2/2015</li> </ul> |
| 3   | Dr.Pramuk Vongtanakiat, MD.        | Independent Director                | <ul style="list-style-type: none"> <li>Risk Management Program for Corporate Leaders (RCL) class no. 2/2015</li> </ul>   |
| 4   | Mr. Teeradej Jarutangtrong         | Director                            | <ul style="list-style-type: none"> <li>Anti-Corruption for Executive Program (ACEP) class no. 14/2015</li> </ul>   |
| 5   | Mr. Boonchai Suwanvutthiwat        | Director<br>Chief Executive Officer | <ul style="list-style-type: none"> <li>Anti-Corruption The Practical Guide (ACPG) class no. 21/2015</li> <li>Successful Formulation &amp; Execution of Strategy (SFE) class no. 26/2015</li> </ul>   |
| 6   | Gen. Chaiwat Satondee              | Director                            | <ul style="list-style-type: none"> <li>Director Certificate Program (DCP) class no. 216/2016 (*on training)</li> </ul>   |
| 7   | Ms. Saowapa Choorujiporn           | Company Secretary                   | <ul style="list-style-type: none"> <li>Anti-Corruption The Practical Guide (ACPG) class no. 17/2015</li> </ul>   |

**Part 2: Others Seminar to participate of Director and Company Secretary**

| No. | Name                                 |                                     | Seminar Course  |
|-----|--------------------------------------|-------------------------------------|---|
| 1   | Prof. Pornchai Chunhachinda, Ph.D.   | Chairman                            | <ul style="list-style-type: none"> <li>Chairman Forum: Chairman's Role in Building Independence across the Board (Participant)</li> <li>The 4th National Director Conference 2015</li> </ul>  |
| 2   | Asso. Prof. Dr.Seksak Jumroenvong    | Independent Director                | <ul style="list-style-type: none"> <li>Seminar "The challenge of recruiting Independent Directors"</li> </ul>   |
| 3   | Asso. Prof. Dr.Ekachitt Chungcharoen | Independent Director                | <ul style="list-style-type: none"> <li>The Challenge of the role of the Audit Committee reviewed the financial and non-financial report</li> <li>CG Forum -2/2015 "Responsibilities of the Boaed and the management of interal Controls"</li> </ul>                   |
| 4   | Mr. Noppadol Dheerabutrvingkul       | Independent Director                | <ul style="list-style-type: none"> <li>Audit Committee Senimar "Get Ready for Year End"</li> <li>Financial Instrument for Directors: FID "Return moral (ESOP/EJIP)"</li> </ul>  |
| 5   | Mr. Chawalit Wangthamrong            | Director                            | <ul style="list-style-type: none"> <li>"Insight Myanmar" Thailand Business Association of Myanmar (TBAM)</li> </ul>   |
| 6   | Mr. Boonchai Suwanvutthiwat          | Director<br>Chief Executive Officer | <ul style="list-style-type: none"> <li>SR Training Direction 2015</li> <li>FID : Financial Instruments for Directors</li> <li>CSR Seminar in 2015 and ESG: The Factors of Sustainability" by Thaipat Institute and SET</li> <li>IR for MAI CEOs by SET/MAI</li> </ul> |

| No. | Name  | Seminar Course  |
|-----|---|---|
| 7   | Ms. Saowapa Choorujiporn and<br>Ms. Siriporn Oondee | Company Secretary<br>and Investor Relation  |
|     |   | <ul style="list-style-type: none"> <li>• CS Sharing Forum-1/2558 Professional CS: Key Assistant of Corporate Good Governance and Tutoring AGM Checklist year 2015</li> <li>• FID : Financial Instrument Workshop by SET</li> <li>• Insight tools: “EJIP and ESOP incentive to Employee” and Insight TSR and Warrant alternative funding</li> <li>• CG Forum-1/2015 “CG in Substance: Corporate Culture and Governemace”</li> <li>• Workshop: CSR Reporting</li> <li>• CS Sharing-2/2015: Professional CS: Key Assistant of Corporate Good Governance</li> <li>• Listened process improvement of obtaining certification as member of CAC against corruption.</li> <li>• Hearing: Preparing project alignment practices of the private sector in thailand Anti-Corruption. CG Forum-3/2015 “Risk Oversigth: High Priority Roles of the Board”</li> </ul> |

### Part 3. Management

| No. | Name                      | Seminar Course  |
|-----|---------------------------|---|
| 1   | Mr.Pornsak Chunhajinda    | Managing Director<br>Chief Financila Officer (CFO)  |
|     |                           | <ul style="list-style-type: none"> <li>• FID: Financial Instrument Workshop by SET</li> <li>• Course: Mini Master in HR Management</li> <li>• Course: CSR for Corporate Sustainability</li> <li>• Course: CSR “Developing CSR Practitioner’s Skills”</li> <li>• Course: Business Information Technology Management Line Manager</li> <li>• Course: Forensic Accounting</li> </ul> |
| 2   | Ms.Nuchomkorn Puapuasakul | Chief Internal Officer  |
|     |                           | <ul style="list-style-type: none"> <li>• CG Forum-1/2015 “CG in Substance: Corporate Culture and Governemace”</li> <li>• Going from “Good” to “Great” in...IT Fraud Prevention and Information Security Governance</li> <li>• CG Forum-3/2015 “Risk Oversigth: High Priority Roles of the Board”</li> </ul>   |
| 3   | Mr.Payotorn Mungthong     | Chief Sales Officer of<br>Occupational Safty,<br>Health and Environment<br>Products   |
|     |                           | <ul style="list-style-type: none"> <li>• Course: CSR for Corporate Sustainability</li> <li>• Course: CSR “Developing CSR Practitioner’s Skills”</li> </ul>  |
| 4   | Mr.Thanya Wangthamrong    | Chief Marketing Officer   |
|     |                           | <ul style="list-style-type: none"> <li>• Workshop: Supply Chain Management</li> <li>• Positive Thinking /Move Towards CSR Workshop</li> <li>• Course: “Development ISO Standard: ISO 9001:2015” by BSI Group (Thailand)</li> </ul>  |

### 5.10 Succession Plan

The Board of Directors accords due important on succession and management development plans for purpose of top executive succession. To enable the ability to continuously carry out management works and to select efficient personnel who are ready to occupy such important post, Career Management and Talent Management and Succession Plan are developed. The Nomination and Compensation Committee has suggested and determined procedures and criteria for the Nomination of directors and top executives in written in order to acknowledge and provide understanding of the scope of the mutual development of personnel and organization for stable and sustainable growth, which will efficiently and effectively enhance the achievement of the Company’s strategic goal.

- 1) Company's recruitment and selection process or employees to take charge of and responsible for key management position levels as appropriate.
- 2) The Company's senior executive shall be performed the CEO work if the President is unable to perform their duties.

### 5.11 Directorship in Other Listed Companies

The Board of Directors is attentive to the director's performance of duties and responsibilities in order to ensure that their time is fully dedicated to the execution of corporate governance. Thus, directorship policies have been adjusted as below:

#### 5.11.1 Assumption of Director Position in Other Listed Companies of the Company's Directors

The Board of Directors has reviewed the policy regarding the assumption of the director position in other listed companies in order to enhance effectiveness in performance as the Company's directors, and thus prescribed "policies" in regulating that directors shall not assume the position in more than 5 other listed companies and not more than 5 subsidiaries that are not listed for each director for maximum benefits of the Company's future business growth.

#### 5.11.2 Assumption of Director Position in Subsidiaries or Affiliates of High-Level Executives

The Board of Directors has prescribed the policy on the assumption of the director position in subsidiaries or affiliates of high-level executives/Chief Executive Officer, conditional upon the Board of Directors' approval, unless it is the case where the individual has been delegated by the Board of Directors to assume the director position in the Company's subsidiaries or affiliates according to shareholding proportions or as assigned by the Board of Directors.

At present, of the 9 directors, none of them are assuming the director position in other listed and non-listed companies according to the prescribed criteria.

### 5.12 Oversight the Operation of Subsidiaries Company's

The Company, as controlling by stakeholders proportion, The Board of Director was oversight the operations of its subsidiaries or affiliates to maintain the benefits of investment, as follows:

1. Appointment of senior executives to represent as directors agent or management of the company in proportion to their shareholding in the Company.
2. Promoted good governance in accordance with the Company's directors and executive officers are assigned both operation processing and personnel systems in accordance with company policy.
3. Tracking company performance on a regular basis through the Executive Committee and Board of Directors.
4. Consider important matters relating the company like Investment Plan, Trend of Business Strategy etc.
5. Provided Internal Audit Inspection related to the Holding company guideline to ensure that there are adequate internal control, compliance with laws and regulations strictly.

### 5.13 Corporate Governance Division

The Board of Directors has appointed sub-committees to supervise different aspects of operations, for instance, the Audit Committee is in charge of the investigation process to ensure legal compliance and the regulations of the Stock Exchange of Thailand and other relevant bodies, including the corporate governance operations that are coherent with policies and practices, covering 5 categories; shareholders' rights, equal treatment towards shareholders, roles of stakeholders, disclosure of information and transparency and the Board of Directors' accountability. The Company Secretary is responsible for providing information and coordinating with the management with regards to comments and/or improvement of criteria by the Good Governance Development Department, the Stock Exchange of Thailand, the Securities and Exchange Commission, and other relevant bodies that have been adjusted to better suit the business operations. The management has been assigned to execute the corporate governance policy for sustainable growth and reliability in the views of investors or external parties.

The Board of Directors is determined to enhance the quality of corporate governance practices and social responsibility potential, with reference to the development roadmap towards sustainability in the long run that is in accordance with potential development for the Thai capital market to be able to stand in competition with leading capital markets which will lead to acceptance in a wider circle. Hence, the Board of Directors has approved of the Company's participation in the Corporate Sustainability Advisory Program (Year 2) held by the Stock Exchange of Thailand. The Company has been selected one of the five MAI companies participating in this program starting from January 2016 to March 2017, with the support of the Securities and Exchange Commission, Thaipat Institute and the Stock Exchange of Thailand, as the sponsors funding consulting services for the

Company. It is highly expected that the Company will be of benefits in utilizing knowledge and opinions to improve and manage the organization effectively for sustainable growth.

### Corporate Governance Policy

The Board of Directors is well aware of the significance of good governance and strict compliance with moral and ethical values as the guiding principles for listed companies in order to strengthen trust to investors and encourage sustainable growth. In response to that, the Company has prescribed corporate governance policies and the Business Code of Conduct that have been reinforced by the Board of Directors in putting forth and encouraging organization-wide practices in real work settings. Directors, executives and employees have signed in acknowledgement of such policies and practices since 2012. Details are also available on the Company's website to keep all investors informed.

The Company has regulated an annual review of corporate governance policy. In 2015, the policies have been reviewed and improved in order to be consistent with the ASEAN CG Scorecard for better adaptation for practices. Meanwhile, reasons for not being able to comply with any regulations will have to be explained and/or in case alternative measures have been taken on by the Company. Also, corporate governance policies shall be communicated through to shareholders, investors, stakeholders and relevant parties, whereby details will then be proposed to the Board of Directors.

In terms of topics that have not been exercised, the Company will then utilize them as guidelines for further adaptations for practices, as follows:

| Topics not exercised  | Reasons for not exercising/Substitute measures   |
|---|--|
| <p>1. Chairman of the Board must be an independent director.<br/>The Board of Directors should comprise of independent directors of more than half of all directors, if Chairman of the Board is not an independent director</p>  | <p>Chairman of the Board is not the same person as Chief Executive Officer. The Company clearly segregates the roles and responsibilities of the Board and Management team to ensure balance between management activity and good governance</p>   |
| <p>2. The Board of Directors should determine that independent directors can continually assume director positions for not longer than 9 years since the date of the first appointment</p>  | <p>The Board does not determine the length of time that independent directors, directors, and members of committees can assume the positions because the Company believes that directors are knowledgeable and skilled persons, and experiences from being in the position for a long time will help such directors better understand the Company's business</p>   |
| <p>3. The Board of Directors should determine the maximum length that directors and members of committees can assume their positions</p>  |  |
| <p>4. Nomination and Compensation Committee should comprise of all independent members</p>  | <p>Nomination and Compensation Committee comprises of 3 members, 2 of whom are independent members. Chairman of the Committee must be independent director</p>   |
| <p>5. Determine that directors or high-level executives notify the Board of Directors or delegated persons about their transaction (buy and sell) of the Company's shares at least 1 business day before the transaction date</p> | <p>The Board of Directors determines the measures to prevent internal information misuse by relevant persons, including their spouses and minor descendants, not allowing aforementioned persons to use non-public information for their own benefits which can give rise to conflict of interest. Such action is regarded as severe misconduct and is accentuated in the Company's business ethics.</p> |

The Company establishes corporate governance principle that covers the structure and components of the Board of Directors, roles and responsibilities of the Board and other committees, risk management and internal control process, the policy of internal information usage, and the proper practices for events with conflict of interest. The Company's Corporate Governance Policy is broadcasted in the Company's website, [www.pdgth.com](http://www.pdgth.com), under the section Investor Relations to communicate with investors and other interested parties.

## Code of Conduct

The Board of Directors has determined a policy for business ethics and code of conducts for directors, executives, and employees to be business guidelines for PHOL group as well as for all groups of stakeholders. The BOD wholeheartedly believes that it will strengthen the principle of CG, create confidence in the business conduct, and increase effectiveness and efficiency for the organization. Such policy, was published on the Company's website at [www.pdgeth.com](http://www.pdgeth.com) can be summarized as follows:

### 1. Business Morality

The BOD adheres to the principals of morality, honesty, and righteousness to conduct the business correctly and fairly. It, therefore, encourages directors, executives, and employees to strictly follow the principle of ethics by determining a written Code of Business Conduct, which is to be commonly held according to responsibilities to the Company and all stakeholders with honesty under the laws and regulations of the Company. It also values transparent, fair, and honest business conduct to drive the Company to international standards. Such Code of Business Conduct is published on the website under the topic "Policy on Corporate Governance and Business Morality", which includes the following content:

- Conflicts of interest: To promote fairness among stakeholders, the Company has a policy to prevent misuse of the positions of directors, executives, or employees to seek personal benefits
- Responsibilities to shareholders: Fair treatment to shareholders and working in full capability to create continual and sustainable returns to shareholders
- Labor policy and treatment: The Company realizes that employees are valuable resources and are the main driver for success and organization achievements
- Customer policy and treatment: The Company recognizes that customer's satisfaction is the key to sustainable success of the Company. It is, thus, every worker's responsibility to maintain customer's satisfaction.
- Trading partner policy and treatment: The Company has a policy to treat trading partner fairly and equally, keeping in mind the maximum benefit of the Company based on fair reciprocating returns. It tries to avoid situations that may give rise to conflicts of interest, and strictly conform to business obligations or commitments
- Competitor policy and treatment: The Company has a policy to treat its competitors according to international practices under the legal framework pertaining to business competition. It refrains from violating trade secret using corrupted approaches
- Policy on Social and Public Responsibilities: The Company conducts its business considering roles and responsibilities to the country, society, environment, and local traditions. It adheres to the policy to preserve environment and create safety from the Company's activities, strictly following the laws and regulations.
- Monitoring policy: The Company stipulates that it is the responsibility of directors, executives, and employees to acknowledge, understand, and strictly follow the guidelines according to Code of Business Conduct

### 2. Business Ethics

The BOD intends to encourage the Company, subsidiaries, and affiliates to be corporates that conduct their business with responsibilities, fairness, and verifiability based on the foundation of righteousness and morality while having responsibilities to all parties. It also encourages such companies to focus on creating long-term values to stakeholders to mutually grow sustainably. Business ethics that the Company abides by are:

1. Accountability to one's own decisions and deeds
2. Transparency
3. Equitable Treatment
4. Long-Term Value-Added Creation to Stakeholders
5. Promotion of Best Practices

### 3. Ethics on Responsibility towards Stakeholders

The Company encourages exercising of basic rights defined in the laws and the Company's articles of association to create maximum customer satisfaction, bearing in mind equitability and honesty in the business conduct. It conserves mutual benefits with the trading partners, treat trading partners under the legal framework fairly and honestly, and conform to the obligations and commitment made.

#### 4. Ethics on Responsibility towards Information and Data

The Company encourages information disclosure, for both financial and non-financial information, in the correct, sufficient, and timely manner to promote transparency and equitability in investment, using SET's electronic portal and the Company's website.

#### 5. Ethics on Responsibility towards Quality, Safety, and Occupational Health

The Company highly values management of quality, safety, and occupational health, continually applying high standards and determining and revising policy on quality, safety, occupational health, and environment as well as best practices to promote sustainable development

#### 6. Ethics on Responsibility towards Procurement and Treatment to Trading Partners

The Company highly values fair selection of trading partners or contractors. It, therefore, sets up criteria to select and assess sellers, contractors, and activities related to seller/contractors in the procurement process consistent with the rules of quality management system. Such criteria are included in the Business Ethics.

#### 7. Ethics of Directors, Executives, and Employees

##### 7.1 Ethics of Directors

Directors shall conduct themselves in the way consistent with the Company's business morality. Directors shall always realize that their conducts are not only obligations and responsibilities towards the Company and shareholders, but also obligations and responsibilities towards customers and other stakeholders. Therefore, public interest of such persons is an utmost consideration. As such, directors shall be responsible for their own conducts.

##### 7.2 Ethics of Executives and Employees

Ethics of employees is a guideline for personal conducts that complements regulations, rules, orders, and announcements of the group of Phol Dhanya PCL. It aims to help all employees to work effectively in a pleasant working environment, develop and strengthen teamwork culture, create satisfaction to stakeholders while keeping in mind equitability and honesty in business conducts and in interactions with colleagues, the Company, supervisors, and subordinates.

#### 8. Policy and Practices

##### - **Respect for and Compliance with Relevant Rules and Regulations**

The group of Phol Dhanya PCL highly respect and comply with relevant rules, laws, and regulations prevailing in every place it enter for business. Its employees, thus, must respect the laws, refraining from any activities that violate the laws and conduct themselves properly in good practices.

##### - **Conflicts of Interest**

The Company deems that it is an important policy in conducting business to place the benefits of PHOL Group and overall stakeholders. It, therefore, determines guidelines to express its intention in moral, transparent, and verifiable business conduct and stipulates that it is a mutual responsibility of directors, executives and all level of personnel as well as related persons to refrain from engaging in activities that may give rise to conflicts of interest, leading to PHOL Group losing its benefits or reducing efficiency. In the case that such activities cannot be avoided, responsible units will take control of such activities to ensure that they are done in a transparent and clear manner for the maximum benefit of PHOL Group.

The Board determines policy and procedures as in the followings:

- The Company has a clear and transparent shareholder structure with no cross-holding of shares with major shareholders, so the structure does not give rise to conflicts of interest. The Company discloses detailed shareholder structure of the Company and its subsidiaries in the annual report, as well as discloses securities holding of directors completely
- The Company has put in place clear segregation of duties between the BOD, Executive Committee, top executives/management, and shareholders, so there is no overlapping of responsibilities. In the case that any director or executive has interest in the ongoing agenda, such person will be absent from the meeting or hold the vote to make the decision making of the BOD and executives fair and truly beneficial to shareholders.
- Determine written governance policy and usage of internal information in the authorities and rules of employees with penalties in the case that executives or employees disclose internal information to public for their own interest.

- Determine policy and practices for conflicts of interest and related transactions to ensure suitability of the transactions that must be reviewed by Audit Committee, and supervise to make sure that the Company complies with criteria of Securities and Exchange Commission and Capital Market Advisory Board.
- Stipulate that directors, executives, and employees who have interests in transactions of the Company or its subsidiaries be absent from the consideration or approval of the agenda of such transactions. Pricing of such transactions are determined fairly according to normal trading conditions as if they are transactions with unrelated parties.
- Demand that related transactions be presented to Audit Committee to give opinion before proposing for approval from the BOD, consistent with the principle of good corporate governance and the rules imposed by the Securities and Exchange Commission.
- Demand that related transactions and transactions that may lead to conflicts of interest be disclosed according to the rules of Securities and Exchange Commission and Capital Market Advisory Board in the Annual Registration Statement (Form 56-1) and annual reports or other reports depending on each case, including disclosure of inter-company transactions in noted to the financial statement under the topic “related transactions” with the maximum benefits of shareholders in mind.
- The Company’s ethics determines additional practices to prohibit employees from using the Company’s properties or working hours to regularly search for information, make contacts, or trade securities for their own benefits or others’ benefits and not for the Company’s benefits without reasonable necessity.
- Employees and their families must not engage in any activity that obstruct the Company’s benefit seeking by contacting relevant parties, including competitors, trading partners or customers, by using opportunities or information gained from being employees for their own benefits, by competing in the same business as the Company’s, or by using office hours to do other jobs other which have effects on the Company’s jobs.
- Avoid or refrain from expressing opinion or making comments about the Company to external parties or press which may affects the Company’s reputation or operation without having authorities or responsibilities to do so

#### - Use of Internal Information and Retaining of Confidential Information

The Board of Directors strictly enforces the policy on Anti-Insider Trading for the company’s directors, management including their spouses and minors and any employees engaging or having access to material non-public information which if disclosed, all personel must retain and not disclose any material information before disclosure, breaches of the said policy results in severe consequences, such a policy guideline as shown on Section 3: “The Role of Stakeholders in Corporate Governance”.

#### - Receiving and giving presents, assets, or other benefits

Receiving or giving presents, assets, or other benefits in normal traditions or celebrations in each locality in an acceptable monetary value is permitted. Yet the Company discourages employees from receiving presents/assets that have excessively high value from business parties. Employees must refrain from requesting, in any case, any benefits other than those in ordinary customs, neither must they accept benefits that may lead to biased decision making.

#### - Information Technology and Communication

The Company recognizes the value of information technology and communication as key factors that support the operation and increase operational efficiency. It is a mutual responsibility of all employees to follow the determined policy and rules in using information technology and communication, as well as to protect the Company’s information from violation and unpermitted distribution of internal information.

#### - Respect to Human Rights and Fair Labor Treatment

The Company supports and respects the principle of human rights, which is the foundation of human resource development and a key factors in the creation of value-added and productivity. Essentially, the Company monitors to prevent the group of PHOL to engage in activities that violate human rights and accept practices that are beneficial to the public, such as Universal Declaration of Human Rights, the Principle of Human Rights of the United Nations

#### - Exercise of Social and Political Rights

Directors, executives, and employees maintain their rights and freedom to participate in various activities in the society. Yet they should refrain from any activities that violate the laws or morality or cause damages to peacefulness of the society. They

should maintain personal dignity to be accepted in the society and community in which the Company is situated. As such, the Company determines the following guidelines:

1. Adhere to Democracy and encourage the use of legal rights as defined in Constitution Law and other relevant laws
2. Refrain from any activities that may cause others to understand that the Company is engaged in or especially support any political party

**- Guidelines for Non-violation of Intellectual Property Rights**

The Company shall conduct its business without violation of intellectual property rights or copyrights of others. It shall not corruptly seek to have classified trading information of other companies in the form of contracts, agreements, or other forms of document which may cause damages to those companies. The Company determines guidelines for non-violation of intellectual property rights in its Business Ethics

**- Guidelines for Anti-Corruption**

The Company intends to encourage all employees to work with honesty, morality and ethics in a transparent, verifiable manner. It, therefore, supports, encourages, and monitors employees to make sure that they comply with business morality and business ethics to ensure that the business is conducted with effectiveness and efficiency.

**9. Anti-corruption**

The Board of Directors places great attention to the business operations with honesty, fairness and transparency and thus has developed the anti-corruption policies, prohibiting directors, executives and employees to support or accept all sorts of corruption both directly and indirectly. The policy was launched for the first time on July 16, 2014 and has later on been reviewed to ensure that it covers cases of violation of rights. The policy has been announced, including scope of whistle blowing and filing complaints, protection mechanism for whistle blowers or the persons filing complaints, on the Company's website. (As disclosed in Section 2: Disclosure of Information "Whistle Blowing and Filing Complaints or Violation of Rights).

The Board of Directors' meeting no.1/2015, dated January 12, 2015, had approved of the Company's participation in the Collective Anti-Corruption Coalition – CAC, which is a collaborative program between the private sector and leading non-profit organizations, namely the Thai Institute of Directors, the Thai Chamber of Commerce, Thai Listed Companies Association, the Thai Bankers Association, the Federation of Thai Capital Market Organizations, and the Federation of Thai Industries, by way of jointly establishing standardized business ethics. The Company has declared its intention in joining the coalition against corruption on January 29, 2015 and has duly informed all stakeholders.

The Board of Directors has assigned the Risk Management Committee to determine protocols and measures to obtain certification as a member of the Collective Action Coalition against Corruption "CAC", as well as the completion of self-evaluation in assessing risks of corruption, comprising of 71 items which are proposed to the CAC committee for consideration to proceed to the verification and certification processes which are expected to be completed within 2016.

The Board of Directors' meeting no.2/2016, dated February 23, 2016, has agreed to review policies and practices in prevention and prohibition of corruption for the Company and its subsidiaries (second amendment) which have been made effective from February 23, 2016 onwards. The focus is on good practices to prevent and stand against bribery and corruption of all sorts, both directly and indirectly, which are inclusive of protocols and directions that align with regulations as follows:

1. Political assistance: Employees shall not side with any particular political party and the Company forbids employees of all levels to command or influence others, by any means, which might evoke internal conflicts.
2. Charitable donation and provision of financial aid: Transparency, control procedures and evidence shall be readily available for accurate bookkeeping.
3. Payment and receipt of money relevant to gifts or reception: This must be in accordance with common practices, appropriateness and opportunities and not against the laws or regulations. Strict compliance with the Business Code of Conduct is key.
4. Accepting customers' discounts: This must be in line with general business practices.
5. Risk assessment: This is regarded as the foundation of anti-corruption endeavors.
6. Control: An effective control system has been implemented throughout the whole organization.

7. Purchasing and procurement: There are no such policies as calling for, receiving or proposing financial interests or any other benefits to suppliers or providers of services.
8. Accounting audit and maintenance of information: Procedures on accounting audit and approvals are put in place to ensure they follow the accounting standard, policies or relevant rules imposed by regulatory bodies.
9. Human Resource Management: This is considered part of the Company's human capital management.
10. Training and communication: A training program on anti-corruption has been provided as part of the new staff orientation session, including an arrangement of annual training program on a continuous basis.

**Policy:**

“The Directors, The Management and employees of the Company are prohibited from performing, accepting or supporting corruption in any forms, whether directly or indirectly. This shall be applicable to all business lines of the Company and its subsidiary and affiliate companies. The Directors, The Management and employees of the Company shall strictly comply with the anti-corruption measures and establishes a structure of responsible persons including risk management, internal control and internal audit systems to prevent and suppress any corruption within the organization; and shall review the operation procedures and implementation guides to ensure compliance with the rules, regulations, laws and business changes”

In this regard, policies and practices that have been signed off by the Chairman of the Board are also available on the Company's website under the topic “Good Governance”. The management shall cascade such policies down to executives and employees of the Company and its subsidiaries as guidelines to refer to.

Measure that the Company took to prevent corruption activities can be shown below:

1. The Company communicated its anti-corruption policy to directors, executives, and all employees to strictly adhere to through electronic channels and information boards, as well as communicated to external persons and investors through the Company's website.
2. The Company arranged to have a reporting channel for complaint filing in case that violations or corruption activities are witnessed. Complaints will be reported to Audit Committee through Head of Internal Audit Department, according to the information given in “Complaints and information filing or the case of violation of rights”. Informants are protected as specified by protective measures.
3. The Company determined that corruption reporting and monitoring be communicated to the Board of Directors to consider and give opinion through Audit Committee.
4. The Company will propose that the Board of Directors revise the appropriateness of anti-corruption policy every year.

This year, Thaipat Institute (a public interest organization) has conducted an assessment on the Company's sustainability of executing “Anti-Corruption” activities in 2015. In presentation of the anti-corruption progress indicator, the Company has been assessed “Level 3”, demonstrating its policy level indicated and the review of the policy validity by the Board of Directors at least once a year.

**Internal Control System and Risk Management**

Internal Control System

The Board of Directors is fully attentive to the significance of the internal control system as well as the risk management and adequacy of the internal control system. Therefore, it has arranged the internal control system that is comprehensive of the 5 aspects of internal control under the COSO 2013 framework. It is the accountability of executives and staff members, whereby degrees of responsibilities vary by their levels and authorities, to maintain balance in mutual investigations, control and the use of resources to benefit the organization as well as to devise accurate, complete and timely financial report system.

Internal Audit

In order to implement good governance procedures, the Board of Directors has determined the Internal Audit division to report directly to the Audit Committee and to the Chief Executive Officer. In this regard, the Director of Internal Audit shall take the role of the Audit Committee's Secretary in performing the annual internal audit activities of the Company and its subsidiaries that have been approved by the Audit Committee to achieve targets. However, the Internal Audit division should report operating performance and present advices or significant shortcomings to the Audit Committee on a quarterly basis and also report the quarterly audit results to the Board of Directors, and lastly, monitor the management to improve and correct those outstanding shortcomings.

The Board of Director's meeting no.1/2016, dated January 18, 2016, agreed to outsource the audit specialist from Dharmniti Auditing Co., Ltd. to perform internal audit activities, under the supervision and coordination of the Director of Internal Audit. The scope of work is inclusive of every aspect of internal audit operations of the Company and its subsidiaries as advised by the Audit Committee. The audit operations shall commence in 2016.

#### **The Head of Internal Audit Department**

In the Board of Directors Meeting No. 2/2014 held on 27 February 2014, the board of directors appointed Miss Natchomkorn Puapansakul, the Director of Internal Audit Division, as the head of Internal Audit Division and Audit Committee Secretary. She had been appointed as the Director of Internal Audit Unit since April 2008. With her experience in our internal operation for more than 10 years and usually external seminars attendance which relates to the job and is operated by The Institute of Internal Auditors of Thailand or Federation of Accounting Professions under the Royal Patronage of His Majesty the King.

In addition, the consideration and approval for appointment, deprivation and evacuation of the head of Internal Audit Division must be approved (or agreed) by the audit committees. The qualifications of the head of the Internal Audit Division are shown under the topic of 'Management Team and Company Secretary'.

#### Risk Management

Placing high value on risk management, The Board of Director embeds systematic risk management process as a part of corporate governance and strategies defined in annual business plan to help the Company achieve organizational objectives and maintain sustainable growth. Risk management results are reported quarterly to the Board of Directors, who will review the adequacy and effectiveness of risk management system to control the overall risk in the acceptable level.

The Board of Directors' meeting no.6/2015, dated October 12, 2015, has considered the review of the Risk Management Committee's Charter to be in accordance with actual responsibilities, which is to be effective from October 12, 2015 onwards. With regards to the risk management policies currently in use, dated February 27, 2014, there have been no changes so far. More details are available in the topic "Management Structure".

(The Company has disclosed the "Risk Management Committee's Charter" on the website [www.pdgth.com](http://www.pdgth.com), Investor Relation section).

In 2015, the Risk Management Committee has developed the risk management manual covering 4 aspects of potential risk to serve as proper guidelines for practices for each division, featuring organizational risk management as follows:

1. Arrangement of the working committee for the development of risk management manual, comprising of the management team from relevant functions, the Chief Executive Officer as the Chairman of the working committee, to jointly execute the risk management plan as assigned by the Audit Committee and report the outcomes on a regular basis.
2. Incorporation of risk management as part of the annual execution plan which is cascaded down to departmental execution plan in order to manage organizational risks.
3. Execution of risk management activities that cover all aspects prone to affect business operations.
4. Constant monitoring of risks to ensure that they are in the acceptable level and preparation of quarterly risk management reports for the Board of Directors.
5. Establishment of risk management culture in the organization by equipping knowledge for all staff members and building an awareness that risk management is part of the work that requires everyone's involvement and participation.
6. Identification of protocols and practices to properly prevent and stand against dishonesty and corruption that are coherent with the Company's anti-corruption policies.

#### **Financial Reporting and Financial Statements**

The Board of Directors is responsible for the reporting of consolidated financial statements and the dissemination of financial information in the annual report. Such information is prepared according to relevant accounting standards, using appropriate accounting policies that are periodically reviewed by Audit Committee and Auditors. Information are carefully prepared and sufficiently disclosed. The Board of Directors encourages disclosing significant information in the Footnotes.

The Board of Directors delegates its responsibilities to Audit Committee to monitor and control the quality of financial reporting and internal control processes and give opinion on such processes in the annual report.

The Board of Directors concluded that the financial statements of the company and its subsidiaries as of December 31, 2015 is accurate, complete, adequate, and reliable.

#### Auditor's Fee

##### Auditor Appointment

The Company's article of association determines that the General Meeting of Shareholders appoints auditor and determines compensation package for auditor on a yearly basis. The auditor is nominated by Audit Committee and agreed by the Board of Directors, who will later propose to the Meeting of Shareholder for approval of auditor and auditor's compensation for the Company and its subsidiaries. The selected auditor must be independent and have no relationship or interest with the Company, its executives, major shareholders, and relevant parties of aforementioned persons. Complying with the notification of the Capital Market Supervisory Board, the Company also arranges to have mandatory auditor rotation in the case that such auditor has audited the same company for 5 consecutive years to.

##### Audit Fee

For the accounting period of 2015, the Company has reviewed and comments by Mr. Sathien Vongsnan, Certified Public Accountant Number 3495 from the Auditor "ANS Audit Co., Ltd." The remuneration of the audit fee of the Company and its Subsidiaries for the fiscal year 2014 and 2015 amounted 985,000 baht and 1,135,000 Baht respectively, which including audit fee of subsidiary company amounted 345,000 baht and 435,000 Baht respectively.

##### Non Audit Fee

In 2015, the Company and its subsidiaries do not pay for other services, Non-audit.

#### Comparison of the Audit Fee

| Audit Fee                                 | Unit: Baht       |                |                |
|---|------------------|----------------|----------------|
|   | 2015             | 2014           | 2013           |
| <b>Audit Fee</b>                          |                  |                |                |
| 1. Phol Dhanya Public Company Limited     | 700,000          | 640,000        | 640,000        |
| 2. PD Genesis Engineering Company Limited | 30,000           | 30,000         | 60,000         |
| 3. Phol Palladium Company Limited         | 180,000          | 150,000        | 120,000        |
| 4. Pholdhanya (Cambodia) Co., Ltd.        | 110,000          | 110,000        | 580,000        |
| 5. Phol Water Company Limited.            | 115,000          | 55,000         | -              |
| <b>Non Audit Fee</b>                      | -                | -              | -              |
| <b>Total</b>                              | <b>1,135,000</b> | <b>820,000</b> | <b>820,000</b> |

# Corporate Social Responsibility

## Policy and Overview of Corporate Social Responsibility

The Board of Directors does not only drive corporate to grow economically, but it also highly values corporate engagement in the responsibilities towards communities, society, and environment, realizing that CSR is the foundation for the Company to grow sustainably as a CG-based organization that takes into account every stakeholder's interest fairly. Indeed, the BOD clearly determined the Company's CSR as a part of PHOL's vision, mission, and policy.

In this regard, the Company has executed social responsibility activities, for instance, community outreach program, donation, or provision of support where possible. The Company takes this issue very seriously and encourages the management team to participate in the training program to develop knowledge base and understanding in the principles and managerial approach in social responsibility for sustainable development according to the Stock Exchange of Thailand's developmental guideline. It is anticipated that such knowledge base will be put into practice and integrated with the organizational administration in a concrete manner in years to come.

The guidelines of PHOL's CSR are written to be consistent with the Company's vision, mission, and policy under the principle of CG and business ethics as follows:

## Corporate Governance

The Board of Directors is well aware of the fact that corporate governance is a critical fundamental factor in enhancing the Company's operating standard in terms of transparency and reliability towards shareholders, investors and all stakeholders, as well as in terms of uplifting competitive advantage and value-added features to the business. The Board of Directors has formally identified corporate governance policy and business ethics in writing, in coherence with the Corporate Governance Principle for Listed Companies 2012 of the Stock Exchange of Thailand and ASEAN CG Scorecard. This policy has consistently been complied with in order for the Board of Directors, the management and employees to strictly abide by, under the Company Secretary's supervision to ensure compliance towards rules and regulations of the Stock Exchange of Thailand, Office of Security and Exchange Commission, Public Company Limited Act and that other relevant laws are being observed. From the Company's determination in improving corporate governance activities, the Company's assessment is graded "excellent" and ranked in the top quartile in 2015, of 588 listed companies whose security values are under 1 billion Baht. Furthermore, the Board of Directors has also been awarded the MAI Consolation Prize 2015 in the "Board of the Year Awards 2015" campaign. More details on the corporate governance policy can be found in the corporate governance topic.

## Fair Business Conduct

The Board of Directors encourages transparent and fair business operations, upon the principle of moral and ethical values and the corporate governance policy by way of the compilation of the business code of conduct and business ethics manual in writing which are distributed to directors, the management and employees to be well informed and abide by, in accordance with the standards, moral and ethical values, as well as responsibility towards all groups of stakeholders; shareholders, clients, business partners, commercial opponents, creditors, communities, the environment and government offices. The focus is on business ethics, policy and direction in managing customer relationships, treatment towards commercial opponents, acquisition of and treatment towards business partners, responsibility towards the society as a whole, treatment towards employees, granting or receiving of assets or any other benefits, and avoidance of intellectual property violation. All of these issues are identified in the business code of conduct for directors, the management and employees to comply with. The information is also available in the Company's website ([www.pdgth.com](http://www.pdgth.com)) and more details on "Corporate Governance" can be found under the topic "Business Ethics".

## Anti-corruption

The Board of Directors places great emphasis on honest, fair and transparent business operations and has prepared the anti-corruption policy; prohibiting directors, the management and employees to support any acts of corruption or accept corruption of any means, both directly and indirectly. The Company's anti-corruption policy is inclusive of responsibilities and common practices related to anti-corruption protocols governing behaviors of the Board of Directors, the management and employees, channels for whistle blowing and filing complaints, or in case of violation.

On January 16, 2015, the Company has announced its intention in joining the Collective Action Coalition of the Thai private sector in standing up against dishonesty and corruption in order to prepare for full membership application to the Thai private sector CAC. The current status is self-evaluation in order to determine the risks before proceeding to the CAC accreditation which is expected to complete within 2016.

More information on anti-corruption is available in the section “Corporate Governance”, under the topic “Business Ethics”.

### Respect for Human Rights and Fair Labor Treatment

The Company supports respecting of human rights both inside and outside the organization, determining in its business ethics the topic of respecting of human rights and fair labor treatment. The Company supports, upholds, and complies with the regulations pertaining to labor treatment and the international principle of basic human rights, fairly treating its labor regardless of nationalities, genders, colors, languages, political beliefs or other beliefs, and disabilities or other physical constraints not-relating directly to work. So far there has been no filed complaint about violation of human rights.

### Responsibility towards Employees

The Company realizes that human resource is a quintessential factor that drives the Company to achieve its objectives. It, therefore, highly values fair treatment to employees. Aside from strict compliance with labor laws and regulations, PHOL is also determined to constantly improve the capability of its employees and provide appropriate compensation and welfare for its employees.

#### Compensation and Welfare

The Company determines employees’ compensation and welfare structure fairly and in a higher level than the standards required by the laws. Employee compensation is in monetary and non-monetary forms and is based on knowledge, abilities, and performances of employees. The Company uses personal key performance index (KPI), which are aligned with the organization’s objectives, as a tool to assess employees’ performance and promote employees’ work incentives.

Other important benefit which accordance with the duties and responsibilities include Provident Fund, Group Insurance, the annual health checkup, allowance, assistance loans and others.

#### Human Resource Development

The Company is well aware of the fact that every staff member is invaluable asset to the Company and is key success factor for goal achievement. The Company is deemed to respect and comply with the laws and ethical principles to create justice, stability and general well-being for employees. Thus, the Company places great emphasis on fair treatment, in terms of opportunities, remuneration, appointment and transfers, proper welfare package, as well as continuous human capital development program in order to enhance employees’ potential in achieving individual and organizational goals which are aligned with the Company’s directions, to materialize sustainable growth and potential to compete in an international arena. The Company has prepared for the training roadmap and activities for employees to increase knowledge, ability and skills in various areas of operations.

The Company also arranges to have human resource planning to support its business growth in the future, focusing on continual improvement of capabilities and potentials of executives and employees in such topics as Core Competency, Managerial Competency, and Functional Competency, the last one being now developed to improve specific competency in order to create visible and concrete functional success for each position, as well as succession planning, from top management down to employees.



- **In-house training programs** start with orientation for new employees. In this orientation program, the Company structures fundamental curriculum which contains basic knowledge of the Company’ business, the Company’s culture, and coordination between several divisions in the organization to help new employees learn and adapt to the environment efficiently. To increase knowledge and ability beneficial to the employees’ work, the Company regularly holds in-house training programs that cover every unit. Trainers are from both inside and outside of the Company. In 2015, the Company held 32 in-house training programs, average training on 20.45 hours per person per year.



In 2015, the Company has initiated “KAIZEN for Operational Excellence and Productivity to Success” project, starting from the operations, warehouse and delivery. A training program on KAIZEN theory has been provided to employees. KAIZEN is a concept utilized for efficient work process improvement, focusing on inclusive participation from everyone in order to collaboratively look for new ways of doing things to constantly improve work processes and the environment. As a result, employees are urged to formulate their own learning process and improve themselves in adapting knowledge from training in work settings and daily lives. A competition has been arranged to present work process improvement. In 2015, a total of 27 projects that satisfy operational improvement criteria have been proposed.

- **External training programs** The Company encourages its employees to attend training programs or seminars held by external institutions to increase their knowledge or to expose themselves with new innovations and utilize the knowledge received in the operation of the Company to increase its competitiveness. In 2015, the Company supported 56 external training programs, the total number of executive and employees attended was 53 persons.

- **Scholarship support for employees** since 2008, the Company has a policy to provide scholarship supports for employees who wish to further their study in Bachelor and Master Degrees to give opportunities to employees to self-develop and to increase their working capabilities. Every year, the Company will grant up to 4 scholarships, dividing into 2 scholarships for Bachelor Degree and 2 scholarships for Master Degrees.

- **Happy Workplace activities** Besides improving knowledge and skills of its employees, the Company also encourages them to develop a strong bond among themselves, to form a good organization culture, and, most of all, to enjoy work. It creates opportunities for employees to participate in several activities beneficial to society, communities, and environment, instilling altruistic mindset into the heart and soul of its employees. The Company supports annual activities in many forms, applying the principle of Happy 8 to make the Company a “Happy Workplace”. Such activities include New Year’s celebration ceremony, annual sports day, respecting the elders in Song-Kran Day ceremony, annual traveling tour, activities of sports and recreational club, annual making-merit celebration, and making-merits-in-holy-days activity.





The Company schedules the announcement of policies, goals and directions for business operations towards sustainable growth twice a year in January and/or July. The key objectives are to involve all employees to take part in fulfilling their assignment to achieve goals and missions, allow opportunities for everyone to share opinions or give constructive advices for the Company to improve work processes for maximum effectiveness.

On this occasion, the Chief Executive Officer will be communicating key points of the Company's policies to all staff members as a way of practice throughout the organization, for instance, corporate governance policy, business ethics, anti-corruption policy or any other topics (if any).

#### **Occupational Safety, Health, and Environment in Workplace**

The Company deeply values the importance of safety and health of its employees and relevant parties. It, consequently, applied OHSAS 18001 Standard as a framework to create a safe working environment. It received OHSAS 18001:2007 in October 2012, and strictly comply with regulations.

The Company set up Committee on Safety, Occupational Health, and Environment in Workplace to assume responsibilities of monitoring and tracking safety, occupational health, and environment incidences to comply with the policy and working plan, as well as to provide necessary safety equipment and create safety awareness among the Company's employees. The committee is comprised of one representative from executives as Chairman of the committee, two representatives from employer, three representatives from employees, and one occupational safety staff as member and secretary of the committee.

Activities carried out according to the Policy on Safety, Occupational Health, and Environment in 2015 are as the followings:

- Assessed the operation of business establishments to determine whether they conformed to the protection and risk mitigation plan and professional safety measures, such as assess the readiness of safety equipment, assess the readiness of fire prevention system, assess the status of delivery trucks and forklift trucks.
- Identified rules and regulations in different areas of operations to minimize risks of accidents such as encouraging employees working in risk-prone areas to put on safety equipment; all expenses covered by the Company.
- Arranged to have trainings on safety, occupational health, and work environment for new employees and external sub-contractors to inform them about the Company's safety regulations before they started working with/for the Company
- Collected statistics, analyzed data, and prepared reports and recommendations related to hazard, sickness, or troubles caused by employees' professional conducts. There was zero record of severe accidents in 2015.
- Promulgated safety information related to accidents and health on a monthly basis, such as safe driving, protecting eyesight when using computers, information on infectious diseases, and work-related diseases and prevention, through emails. In addition, the Company disseminated laws and regulations related to safety and health and other relevant laws and regulations, including labor laws, transportation laws, regulations of Ministry of Industry, or newly enacted laws, in common informational files that are accessible by all staff.

- Every year, the Company holds Big Cleaning Day, in which executives and staff collectively clean the office building, inventory storage building, and the area surrounding the office. It also encourages employees to take care of and clean their working space using 5S principle. The cleanness of working space will be quarterly monitored and the units with highest 5S cleanliness score will be awarded.

- The Company holds “PHOL Alcohol-Free” activity, encouraging the premise to be an alcohol-free area and employees to refrain from drinking alcoholic drinks which produce negative effects towards health and work performance. The Company arranges a daily test of alcohol level for particular groups of employees such as delivery men. For other groups of employees, the test will be randomly conducted at least once every quarter.

Apart from implementing safety and hygiene protocols, the Company also aims to improve the quality management system ISO9001:2008 to the new standard (ISO9001:2015). Currently, the improvement process and adaptation are in progress in order to be coherent with the standard criteria of ISO9001:2015, which mainly focuses on the preparation of resources such as human resource, infrastructure, work process-related surroundings that are necessary to keep every aspect of operations fully functional, as well as competencies and employee awareness that will directly affect performance, and clear communication system relevant to the internal and external work procedures. The initiative is expected to be completed by the end of 2016.

### Responsibility towards Customers

The Company is the distributor of products that promote safety, occupational health and environment, with the aim of gaining acceptance from customers and the society of being a leading professional in safety and environment. The Company is firmly determined to identify quality products related to safety, occupational health and environment that are up to standards, together with the provision of quality and up-to-date services to meet customers’ needs and deliver maximum benefits in reasonable prices. The Company will ensure to disseminate accurate and truthful information and put in place the process where customers can make queries on any issues with product usage or file complaints on inappropriate services. This is so that problems are duly prevented or solved in time and that the Company can utilize such information to improve service quality or products through an effective after-sales service. Most importantly, keeping customer information strictly confidential is our priority; without disclosing it for one’s own interests. In this regard, the policy on customer treatment has been prescribed in the Business Ethics manual and the Business Code of Conduct which are both available in the Company’s website ([www.pdgth.com](http://www.pdgth.com)).

The Company supports being an expert in safety, occupational health, and environment by focusing on constantly developing marketing staff to be able to recommend the right products to customers, explain proper product use, and correctly and efficiently provide after-sales services while causing no damage to the customers.

### Customer’s Satisfaction

The Company determines that Customers’ satisfaction score become one of corporate performance indicators. In 2014, the Company required that relevant units conduct monthly customers’ satisfaction survey in order to review its performance and use the information to improve its service or adjust work process in a timely manner. The survey covered the following topics:

- Provision of services in an attentive, fast, and wholehearted manner
- Whether the staff are well-rounded and have necessary skills relevant to the services
- Ability to communicate clearly and unambiguously
- Whether proper follow-up and problem-solving processes are in place
- Whether product deliver time is properly short
- Whether products delivered are correct and complete
- Whether access to product details and news through a variety of the Company’s channel is convenient and fast
- The overall satisfaction of product details and corporate news

In 2015, customers' satisfaction score was 96.94%, which is impressively higher than the targeted score of 90% and higher than 94.43% in the previous year.

#### **Complaint Management and Customer's Satisfaction Measurement**

The Company arranges to have a procedure to receive customer complaint and opinion through several channels such as telephone, e-mails, fax, as well as its staff. Marketing division is responsible for receiving customer complaints and opinions, as well as for analyzing them to find their causes and solutions. The Company's customers can rest assured that their complaints and opinion are carefully reviewed and the problematic issues will be fixed. Complaints and opinions will be used to help the Company continually improve the quality of its products and services

#### **Provision of Safety and Occupational Health Knowledge**

The Company actively encourages the provision of safety and occupational health knowledge, by collaborating with customers and arranging training sessions for operators of machines or equipment. On particular occasions, the Company organizes an exhibition on safety at customers' premises upon request. Furthermore, knowledge on safety is shared to customers and the general public via different online media such as [www.pdgth.com](http://www.pdgth.com) or [www.pholonline.com](http://www.pholonline.com) or the Company's Facebook Fan Page.

#### **Responsibilities for society, community, and environment**

In 2015, the Company has held the following activities promoting responsibility towards the society, community and the environment:

- Development of Safety Q&A booklets featuring questions and answers on safety equipment which are distributed to educational institutes to encourage awareness of safety and the significance of using safety equipment in workplace.
- Provision of scholarships to schools and youth centers nearby, in occasion of the National Children's Day
- Donation of the Company's products; rubber gloves, to Center for the Blind and Multiple Disabilities, Nakhon Nayok province
- Sponsorship of safety glasses and medical gloves in the Thai Red Cross Fundraising Event 2015
- Sponsorship of safety glasses to the Cataract Surgery Program by World Vision Foundation of Thailand, Supamitr Hospital, Suphan Buri province

Other public-serving activities are such as:

- Set up the campaign to donate used desk calendars to make Braille code card, an educational media for blinded students, to the Bangkok School of the Blind, the Foundation for the blind in Thailand under the Royal patronage of H.M. the Queen.
- The Company supports the activities to preserve Buddhist's tradition and to encourage its employees to be good Buddhists, such as make-merits activities in Buddhist's holy days.
- The Company main business is trading, not manufacturing, so the effect of its business to environment is minute. However, the Company recognizes the significance of natural resources and energy, it, therefore, encourages its employees to preserve environment, save energy, and make efficient use of resources, by communicating through emails and notifying through information posters. In addition, the Company also uses bags packaging which made from materials that can decompose naturally.

This report on Corporate Social Responsibility (CSR) is prepared based on the CSR framework as guided by the Stock Exchange of Thailand, covering the performance of PHOL and its branch offices between January 1-December 31, 2015 with the exception made for 1) applying of ISO9001:2008 Standard, which covers only the headquarter and 2 branch offices: Rayong Office and Chiangmai Office, and 2) applying OHSAS 18001: 2007 Standard, which covers only the headquarter. The Company plans to apply OHSAS 18001: 2007 Standard to its branches in the future.

# Internal Control and Risk Management

The Board of Directors has assigned the Audit Committee to examine the appropriateness and efficiency of the internal control system in order to ensure that the Company and subsidiaries have the internal control system in place, as well as the monitoring platform and proper administration in relation to goals, objectives, laws and regulations prescribed by the Office of Security and Exchange Commission, the Stock Exchange of Thailand and the internal control system that meets the international standard of the Committee of Sponsoring Organization of the Treadway Commission (COSO). The Board of Directors has regulated an assessment of the adequacy of the Company's and subsidiaries' internal control system at least once a year, whereby reports shall be presented directly to the Board of Directors and are also disclosed in the Annual Registration Statement (56-1) and the Company's Annual Report (56-2).

The Audit Committee has been investigating the internal control system and risk management process on a continuous basis, as well as considering the internal control assessment result and the expression of opinions of the accounting auditor on the Company's internal control system, of which the results shall be reported to the Board of Directors on a regular basis (quarterly).

In the Board of Directors meeting no.2/2016 held on February 23, 2016, in presence of the 3 members of the Audit Committee, the Board of Directors has evaluated the adequacy of the internal control system in 2015 in reference to the regulations of the Office of Security and Exchange Commission and the Stock Exchange of Thailand. The evaluation covers 5 main components; organizational and control environment, risk management, management control, information and communication and monitoring, by way of interrogating information from the management by the Internal Control Division and mutually agreeing upon opinions which are then to be scrutinized by the Audit Committee. The Board of Directors is of the same view with the Audit Committee regarding the adequacy of the internal control system as follows:

## 1. Organizational and Control Environment

The Board of Directors and the management have identified directions and work execution according to the corporate governance policy, moral and business ethics, honesty and transparency, as well as the compliance with the code of conduct required of directors, the management and employees.

## 2. Risk Management

A clear risk management structure has been developed, with an involvement of top-level executives. Every staff member is accountable for departmental risk factors in association with the Company's objectives. Risk management objectives shall be adequately prescribed in order to identify, examine, analyze, monitor and report potential risks to the Risk Management Committee and the Board of Directors on a quarterly basis. Details on organizational risk assessment and management are displayed in the topic "Risk Factors".

## 3. Management Control

Protocols to control and minimize risks that prevent organizational goal achievement have been identified to ensure that risks are in the acceptable level, with proper control, examination and monitoring processes, for instance, identification of approval authority and regular reviews, clear separation of responsibilities to maintain balance, compliance with the Office of Security and Exchange Commission's regulations in case of making transactions where the issue of conflict of interest might arise without stakeholders' involvement in making approvals, disclosure of information in accordance with regulations of the Office of Security and Exchange Commission, the Stock Exchange of Thailand and relevant rules of law, and lastly, monitoring of performance through the Chief Executive Officer and/or Managing Directors of the subsidiaries or assigned committee representatives.

#### 4. Information and Communication System

The preparation and provision of truthful, complete, adequate and timely information are actively encouraged both internally and externally, for instance, arrangements of Board of Directors Meeting and Committee Meeting, nonexecutive directors meeting, Audit Committee Meeting with the accounting auditor without the management's presence and/or independent consultation session, disclosure of information through the SET's channels to investors, external parties as well as an identification of channels for whistle blowing and filing complaints, measures to protect the person(s) filing complaints and any other good practices as displayed in the "Anti-Corruption" topic, Corporate Governance section, which is disseminated on the website [www.pdgth.com](http://www.pdgth.com), under Investor Relations menu. With Best Regards, Saowapa Choorujiporn Company Secretary.

#### 5. Monitoring System

Monitoring and evaluation systems for the internal control have been put in place to ensure complete and appropriate operations of the system. In this regard, the Internal Control Division serves as a key mechanism in examining the adequacy of the internal control system, possessing independence in monitoring and assessing the internal control performance.

All in all, the Board of Directors and the Audit Committee are of the view that the Company's internal control system is appropriate and adequate with proper risk management protocols. The right amount of human resource has been assigned to effectively operate the system. Also, it is anticipated that the internal control system will monitor the Company's subsidiaries' operations to protect any assets from being utilized by directors or the management without proper authorization, for instance, identification of approval of commands, clear separation of roles of directors and the management, including the announcement of policy and ways of practice in writing, transaction monitoring for related individuals with potential conflicts of interest, with proper measures whenever making inter-company transactions.

In the previous year, the Audit Committee and the Board of Directors did not receive any reports identifying significant shortcomings from the accounting auditor and the Internal Control Division. In this regard, the Audit Committee Report 2015 is available in the "Audit Committee Report" topic.

# Connected Transactions

| Persons with possible conflict of interest | Relationship / Transaction  | Transaction Value (Baht) |            | Necessity and reasonability of the transaction   |
|--|---|--------------------------|------------|--|
|  |   | 2014                     | 2015       |  |
| 1. Phol Palladium Co., Ltd. (Subsidiary)   | The Company holds 99.99% of shares.<br>- Investment in the Subsidiary | 999,970                  | 999,970    | The Board of Directors approved an establishment of Phol Palladium Co., Ltd. to distribute occupational health and safety products to government agencies in order to reach and expand its customer base in this group |
|  |   |                          |            | <b>The Audit Committee's opinion</b><br>The transaction was the normal trading transaction.  |
|  | - The Company sold goods to the Subsidiary                            |                          |            | The Company sold goods to the Subsidiary as normal business operation with the policy of selling goods to the Subsidiary at the cost price with an additional profit of margin 5-15%                                   |
|  | Sale of goods   | 50,010,343               | 44,114,570 |  |
|  | Trade receivables in the Subsidiary                                   | 21,884,914               | 16,191,527 |  |
|  |   |                          |            | <b>The Audit Committee's opinion</b><br>The transaction was the normal trading transaction.  |
|  | - The Company purchased goods from the Subsidiary                     |                          |            | The Company purchased goods from the Subsidiary as normal business operation with the policy of selling goods to the Subsidiary at the cost price with an additional profit of margin 5-15%                            |
|  | Purchases of goods  | -                        | 103,500    |  |
|  |   |                          |            | <b>The Audit Committee's opinion</b><br>The transaction was the normal trading transaction.  |

| Persons with possible conflict of interest | Relationship / Transaction  | Transaction Value (Baht) |            | Necessity and reasonability of the transaction  |
|--|---|--------------------------|------------|---|
|  |   | 2014                     | 2015       |   |
| 2. Phol Water Co., Ltd. (Subsidiary)       | The Company holds 99.99% of shares.<br>- Investment in the Subsidiary | 9,999,970                | 9,999,970  | The company appreciates that water business and concession has been different operation with the company core business, so the Board of Directors approved the establishment of new Subsidiary.                         |
|  | -The Company sold goods to the Subsidiary                             |                          |            | <b>The Audit Committee's opinion</b><br>The transaction was the normal trading transaction.   |
|  | Sale of goods   | 84,984                   | 8,674,690  | The Company sold goods to the Subsidiary as normal business operation with the policy of selling goods to the Subsidiary at the cost price with an additional profit of margin 5-15%                                    |
|  | Trade receivables in the Subsidiary                                   | 90,933                   | 2,530,975  |   |
|  | -The Company purchased goods and services from the Subsidiary         |                          |            | <b>The Audit Committee's opinion</b><br>The transaction was the normal trading transaction.   |
|  | Purchase of goods   |                          | 740,285    | The company hired the Subsidiary to operate the water treatment as normal business operation with the policy of selling goods and services to the Subsidiary at the cost price with an additional profit of margin 5-30 |
|  | Cost of service for water treatment system                            | 643,000                  | 2,234,217  |   |
|  | Cost of construction for water project                                |                          | 47,869,905 | <b>The Audit Committee's opinion</b><br>The transaction was the normal trading transaction.   |
|  | Commission expenses   |                          | 566,638    |   |
|  | Trade and other payables in the Subsidiary                            | 643,000                  | 17,168,614 |   |
|  | -The company provided a short-term loans to the Subsidiary.           |                          |            | The company provided a short-term loans to the Subsidiary by issuing a promissory note to use for working capital in operation, which is repayable at call and with interest rate 5% per annum.                         |
|  | Short-term loans to the Subsidiary                                    | -                        | 17,800,000 |   |
|  | Short-term loan receivables   | -                        | 10,000,000 |   |
|  |   |                          |            | <b>The Audit Committee's opinion</b><br>The transaction was the normal trading transaction.   |

| Persons with possible conflict of interest  | Relationship / Transaction  | Transaction Value (Baht) |            | Necessity and reasonability of the transaction   |
|---|---|--------------------------|------------|--|
|   |   | 2014                     | 2015       |  |
| 3. PD Genesis Engineering Co., Ltd. (Subsidiary)  | - Investment in the Subsidiary                                    | 11,500,000               | 11,500,000 | The Company saw an opportunity in the business operation concerning environment, the Company expanded its business to water treatment products. However, the earnings of the Company reported loss. Thus, in order to be in accordance with the accounting standard, there was a necessity to have a full allowance of impairment and allowance for doubtful accounts following the loss earnings over capital.<br>As of November 7, 2013, the Company was registered to be dissolved and is currently under the process of liquidation.           |
|   | Allowance for Impairment  | 11,500,000               | 11,500,000 |  |
|   | Net investment in the Subsidiary                                  | -                        | -          |  |
|   | - Short-term loan to the subsidiary                               | 5,000,000                | 5,000,000  |  |
|   | Less Allowance for doubtful accounts                              | 5,000,000                | 5,000,000  |  |
|   | Net Short-term loan to the subsidiary                             | -                        | -          |  |
| 4. Pholdhanya (Cambodia) Co., Ltd. (Subsidiary)   | - Interest income   | 126,278                  | 126,278    | <b>The Audit Committee's opinion.</b><br>The Audit Committee opined that the provision was in accordance with the accounting standard.   |
|   | Less Allowance for doubtful accounts - interest income receivable | 126,278                  | 126,278    |  |
|   | Net Interest income   | -                        | -          |  |
|   | - Investment in the Subsidiary                                    | 6,770,685                | 6,770,686  |  |
| The Company holds 100% of shares  | Allowance for Impairment  | 3,385,000                | 6,770,686  | The Board of Directors approved to establishment of the subsidiary to expand investment to Cambodia, which has a high growth potential and to support ASEAN in the future.<br>As of December 2015, The Board of Director approved to the acquisition 30% of shares of a subsidiary from the partner in the total amount of 1 baht, The Company holds 100%.<br>However, the Company reported loss earnings over capital. Thus, in order to be in accordance with the accounting standard, there was a necessity to have an allowance of impairment. |
|   | Net investment in the Subsidiary                                  | 3,385,000                | -          |  |
|   |   |                          |            |  |
| <b>The Audit Committee's opinion</b><br>the provision was in accordance with the accounting standard. |   |                          |            |  |

| Persons with possible conflict of interest      | Relationship / Transaction                 | Transaction Value (Baht) |           | Necessity and reasonability of the transaction  |
|---|--|--------------------------|-----------|---|
|   |  | 2014                     | 2015      |   |
| 4. Pholdhanya (Cambodia) Co., Ltd. (Subsidiary) | The Company holds 100% of shares           |                          |           | The Company sold goods to the Subsidiary as normal business operation with the policy of selling goods to the Subsidiary at the cost price with an additional profit of margin 5-15%<br><br>The Company reported loss earnings over capital. Thus, in order to be in accordance with the accounting standard, there was a necessity to have an allowance for doubtful accounts. |
|   | - The Company sold goods to the Subsidiary | 559,730                  | 2,506,211 |   |
|   | Sale of goods                              | 1,841,857                | 4,865,172 |   |
|   | Trade receivables in the Subsidiary        | -                        | 2,125,763 |   |
|   | Less Allowance for doubtful accounts       | 1,841,857                | 2,739,409 |   |
|   | Trade receivables in the Subsidiary-net    |                          |           |   |
| <b>The Audit Committee's opinion</b>            |  |                          |           |   |
|   |  |                          |           | The transaction was the normal trading transaction.   |
|   | - Other receivable                         | 1,474,376                | 3,080,271 | Pholdhanya (Cambodia) Co., Ltd. lend from the company to working capital, which is repayable at call and no interest charge.  |
| <b>The Audit Committee's opinion</b>            |  |                          |           |   |
|   |  |                          |           | The transaction was the normal trading transaction.   |

## Procedures of the Approval of the Transaction

The Board of Director had a resolution to approve the principle concerning a general trading agreement of the transaction between the Company and its subsidiaries with a person whom may have conflicts of interest. The measures and procedures of the approval of the transaction of the Company and its subsidiaries are as follows:

### 1. Normal business or normal business support transactions

For instance, the product purchase or services which the Company or the subsidiaries distribute or provide services, etc., the Company and its subsidiaries are able to perform transactions with a person with conflicts of interest if the said transactions is considered having the same trading agreement as general trading condition of a reasonable person would be expected to agree upon with unrelated counterparty under similar circumstances, on the basis of commercial negotiations without any dependent interests of being Directors, Executives, or related persons. The Company shall at least quarterly present the said transactions to the Audit Committee and the Board of Directors for acknowledgement.

### 2. Other connected transactions other than aforementioned transactions

The Company and its subsidiaries stipulates that the Audit Committee shall consider and provide opinion concerning the necessity of the transaction and appropriateness of the price of the transaction based on conditions following normal trading of the market of which the price can be compared with outsiders and is fair, reasonable, and auditable. When the Audit Committee has no expertise in the consideration of the transactions, the independent expert or auditor of the Company or its subsidiaries shall provide an opinion toward the transactions in order to propose to the Board of Directors or the shareholders, depending on a case, for further consideration. The connected transaction of the Company and its subsidiaries with persons with conflicts of interest shall be considered by the Audit Committee and receive an approval from the Board of Directors of which the meeting is attended by the Audit Committee. The Directors who have conflicts of interest shall be abstained from the voting.

The Board of Directors of the Company and its subsidiaries shall ensure complaisance of the Company and its subsidiaries to the relevant laws on the Securities and Exchange Commission (SEC), the regulations of the Stock Exchange of Thailand (SET), regulations concerning disclosure of connected transactions and the acquisition or disposal of the assets of the Company and its subsidiaries, as well as accounting standards stipulated by other laws in connection with the Federation of Accounting Professions.

## Policy and trend of future connected transactions

The policy of the connected transactions stipulates that the Company and its subsidiaries shall perform only connected transaction which concerning core business of the Company with persons with conflicts of interest and they are normal connected transactions of which the conditions follow normal trading operation and market price which can be compared with the price of the outsiders.

The policy of the transaction of non-connection with the Company's core business with the person of possible conflicts of interest such as the purchase of assets or services and financial aids, etc. has to receive an approval from the Audit Committee prior to any operation. The Audit Committee shall consider and provide opinion concerning the necessity of the transaction and price appropriation of the transaction.

## Policy for related transactions between the Company and its subsidiaries

1. Normal course of business operation between the Company and its subsidiaries in the case of goods and services transactions that are considered as normal business operation, the Company has the policies to protect investors from transfer of benefits by designating the Audit Committee to examine the necessity of such transaction with related internal departments to ensure that trading of goods and services are done at market prices. The examination report will be submitted to the Audit Committee on a quarterly basis and the Audit Committee shall present the report to the Board of Directors subsequently.

For trading of shares or fixed assets which classified as an occasional transaction, the Company's policy is to engage independent experts from outside such as property appraiser or independent financial advisor to provide opinion to the Audit Committee. The Audit Committee will then present the report to the Board of Directors subsequently.

Pricing policy for related transaction (the Company and its subsidiaries) is based on a cost-plus basis on the pre-agreed margin. However, if there is a related transaction that does not meet the specified criteria, this shall be presented to the Audit Committee for consideration of the appropriateness and subsequently to the Board of Directors for approval prior to each transaction.

2. Future loan and guarantee to the subsidiaries The Board of Directors has a clear policy that related transaction is possible if it happens under the normal course of business operation. But this shall subject to the necessity and fair price that could be comparable to market price in order to protect the interest of the Company.

Since the nature of business of the Company and its subsidiaries is trading of goods and services which would result in trading with other companies as well as related companies, the Company expects that there would be a tendency for increasing related transaction for trading of goods and service in proportion to business expansion of the Company and its subsidiaries. For other types of related transactions, it would be subject to business necessity. Short-term loans to related companies are based on short-term capital needs of related companies and cash flow management policy of the Company

The Board of Directors has defined policy for providing loans to subsidiaries by adhering to its own dependence on borrowing from financial institutions unless there is a necessity to borrow money from the Company for business operation which would be presented to the Audit Committee and the Board of Directors for consideration and approval before entering into each transaction. The lending of loan and guarantee shall be in proportion to shareholder structure. This shall include the financial costs / interest rates that would be according to the market rate.

3. Shared resources between the Company and its subsidiaries Share resourced, including assets, personnel or expenses between the Company and its subsidiaries, for example, must be fairly and transparently allocated among related companies.

The Board of Directors of the Company and its subsidiaries are required to ensure that the Company and its subsidiaries comply with the Securities and Exchange Act B.E. 2535 and relevant rules, regulations and notifications of the Stock Exchange of Thailand as well as regulations regarding the disclosure of related party transactions and the acquisition or disposal of assets of the Company and its subsidiaries and compliance with accounting standards set by the Federation of Accounting Professions.

The Company discloses the connected transaction in the remark of the financial statement which is audited and reviewed by the Company's Auditors, as well as in the registration statement (Form 56-1) and the Annual Report of the Company (Form 56-2).

Hence, if the Company and its subsidiaries have any transactions with the person who may have conflict of interest, the Company and its subsidiaries must comply with the approved measures as detailed above. The Company has policy to let the Company and its subsidiaries transact with persons who may have conflicts of interest only in relation to the core business of the Company.

# Report of Board of Director's Responsibilities to Financial Statement

Dear Shareholders,

The Board of Directors of Phol Dhanya Public Company Limited is responsible for the financial statements of the Company and its subsidiaries. The financial statements are consistently prepared in accordance with generally accepted accounting principles using careful deliberation and prudent judgment. The Company ensures that information is appropriately disclosed in a transparent manner in the notes to financial statements for the Company's shareholders and investors.

The Board of Directors has implemented good corporate governance practices and maintained effective risk management and internal controls systems in order to ensure that accounting records are completely booked in a timely manner so as to protect the Company's assets and to prevent fraudulent practices or material irregular transactions.

The Board of Directors has appointed the Audit Committee comprising independent directors to review the accuracy of financial statements, internal control and risk management systems as well as internal audit procedures. The Audit Committee's comments appear in the Audit Committee Report as per enclosure in this Annual Report.

Based on the effectiveness of the Company's internal control and internal audit systems, the Board of Directors is ascertained that the financial statements of Phol Dhanya Public Company Limited and its subsidiaries for the year ended 31 December 2015 are prepared in accordance with financial reporting standards and fully represent the Company's financial performance. The Company's auditor has expressed their opinion on the Auditor's Report as presented in this Annual Report.

Prof. Dr. Pornchai Chunchachinda

Chairman of the Board

Mr. Chavalit Wangthamrong

Chairman of the Executive Committee

# Report of Nomination and Compensation Committee

## Dear Shareholders,

The Nomination and Compensation Committee comprise 3 members. At least 2 of them and the Chairman of the Nomination and Compensation Committee must be an independent director. The Nomination and Compensation Committee shall hold their office for the term of 3 years.

In 2015, The Nomination and Compensation Committee comprise of 3 members as follows:

- |   |   |
|---|---|
| 1. Assoc. Prof. Dr. Ekachidd Chungcharoen | Chairman of Nomination and Compensation Committee/ Independent Director |
| 2. Mr. Noppadol Dheerabutrvongkul         | Nomination and Compensation Committee/ Independent Director             |
| 3. Mr. Chavalit Wangthamrong              | Nomination and Compensation Committee                                   |

Nomination and Compensation Committee is responsible for searching for qualified candidates to assume the position of directors and high-level executives, determining remuneration for directors and high-level executives from first vice presidents onwards, determining performance assessment frameworks for Chief Executive Officer, and considering budget for salary increases and annual bonuses as well as other remuneration packages whose budget are determined by the Company to propose to the Board of Directors.

To nominate candidates for directors, members of committees, and high-level executives from first vice president onwards, the Committee will consider the candidates' qualification, knowledge, capabilities, skills, experiences, extensive expertise, leadership quality, visions, and positive attitude towards the organization supportive to the Company's business conduct, while making sure that the candidates properly harmonize with the existing structure of the relevant committees to promote good corporate governance and allow effective management. In addition, the Committee must ensure that the selection process is in accordance with the relevant codes of the Stock Exchange of Thailand and Securities Exchange Commission, that the candidates do not have prohibited qualifications determined in Public Company Act, and that the selection process well responds to the changing dynamic of the business environment.

During 2015, there were 3(three) meetings of Nomination and Compensation Committee. All members of the Committee attended every meeting and the meeting minutes were regularly reported to the Board of Directors. The summary of major meeting agenda can be described as in the followings:

1. Selection of candidates for directors whose term expire by allowing minority shareholders to nominate qualified candidates to assume the director position in advanced both directly through Company's Secretary and indirectly through Investor Relations Department via the Company's website for 3 months, starting October 12, 2015 to January 12, 2016. No candidates for directors were nominated by shareholders in the Annual General Meeting of Shareholder 2016.

2. In 2015, The Nomination and Compensation Committee has considered to appoint the replacement director, who resigned as the remaining term of five months namely; Gen. Chaiwat Satondee was appointed to the new director since effectively 12 October 2015 and also related to the company's Vision has appointed the additional member of Independent Director to hold Risk Management Committee namely; Dr.Pramuk Vongtanakiat according to the director nomination process.

3. Review of Charters of Nomination and Compensation Committee to ensure suitability with the Committee's roles and responsibilities according to the Principle of Good Corporate Governance

4. Determination of frameworks of compensation, meeting allowances, and other benefits for the Company's directors and members of committees, including Audit Committee, Nomination and Compensation Committee, Risk Management Committee, and Executive Committee, to propose to the Board of Directors. Information of compensation for high-level executives and the Company's directors are disclosed in the Report of Compensation and Remuneration for Directors and Executive 2015, which Nomination and Compensation Committee accepted as suitable for their respective roles and responsibilities and in accordance with policy and criteria proposed by Nomination and Compensation Committee and approved by the Board of Directors.

5. Nomination and Compensation Committee provided a process in which directors and members of committees conducted self-assessment to review their performance in the past year and use the result from self-assessment to develop their performance continually.

( Assoc. Prof. Dr. Ekachidd Chungcharoen )

Chairman of Nomination and Compensation Committee

# Report of Risk Management Committee

Dear Shareholders,

Phol Dhanya PCL is well aware of the significance of risk management towards business operations and has therefore introduced the Enterprise Risk Management-COSO 2013 into the organization. In 2015, the Company has placed great emphasis on the development of the risk management system to ensure its adequacy in coping with potential risks that might have arisen and affected the Company's core business. The Risk Management Committee has prescribed the risk management policies, effective control activities as well as presented the risk management performance report to the Board of Directors on a quarterly basis in order to ensure goal achievement as targeted.

The committee held a total of 5(five) meetings in 2015, with the main agendas and operations as follow:

## 1. Annual Risk Management Plan for 2015

The risk management working group had joined forces with the company's different sectors to work out a risk management plan and present it to the Risk Management Committee for further considerations and approval for an appropriate plan.

## 2. Risk Evaluation

The Risk Management Committee and concerned sectors had established risk evaluations covering different aspects of the company that could affect the company's business operations, while also ordering responsible parties to carry out the processes.

## 3. Risk Management

The committee has established a risk management system that covers the different aspects of the company, including strategic risk, financial risk, operational risk, and regulations risk, as well as other risks that might affect the company's business operations.

## 4. Risk Management Monitoring

The Risk Management Committee has been monitoring risk factors that might have affected the Company's business operations in order to ensure alignment with the directions and policies that have been identified. Also, the objective is to maintain corporate risks in the acceptable level and to be able to prevent or take corrective actions in a timely manner. The Risk Management Committee is also responsible for rendering important advices for a more effective development of the risk management operations as well as reporting the risk management performance to the Board of Directors on a quarterly basis.

## 5. Create Risk Management Culture within the Company

In order to engage staff members of all levels in the risk management activities relevant to their own functional responsibilities, the CEO has initiated the internal training program and performed the role as the trainer himself in establishing knowledge and understanding in risk management as well as an awareness of the significance of risk management. The key focus is to encourage employees to hold risk management as part of their work routine.

## 6. Anti-Corruption

The Company is well aware of the importance of corporate governance and thus has always been operating the business with honesty, transparency, adherence to righteousness and consideration to all stakeholders. The Company has made its intention clear with regards to its opposition against corruption of all sorts. The Board of Directors has assigned the Risk Management Committee to take charge of specifying directions and proper regulations in preventing corruption in the organization. In 2015, the Company has declared its intention in participating with the Private Sector Collective Action Coalition Against Corruption or CAC.

The above mentioned operations carried out by the risk management committee have been completed under the directions by the Board of Directors. The committee is determined to ensure that the risk management system of the company is efficient enough in managing risks within the boundaries that would pave way for prosperous and fruitful business operations of the company.

(Mr. Teeradej Jarutangtrong)

Chairman of Risk Management Committee

# Report of Audit Committee

## Dear Shareholders,

The Audit Committee of Phol Dhanya Public Company Limited was appointed by the Board of Directors consists of three (3) independent directors namely;

- |   |                             |
|---|-----------------------------|
| 1. Assoc. Prof. Dr. Seksak Jumreornvong   | Chairman of Audit Committee |
| 2. Assoc. Prof. Dr. Ekachidd Chungcharoen | Audit Committee             |
| 3. Mr. Noppadol Dheerabutrvingkul         | Audit Committee             |

Audit Committee assumes the roles and responsibilities in governing and ensuring that the Company's operation conforms to its business strategies and policies, that relevant rules, laws, and regulations are strictly complied, that the management and control of business risks are carried out, and that financial reporting are properly done and suitable accounting practices are properly selected. It must also make sure that internal control and internal audit processes are put in place, that related transactions with related parties are monitored, that selection and nomination of auditor are correctly conducted, and that information disclosure are correctly and completely done. While performing its tasks, Audit Committee must maintain its independency.

During year 2015, the Audit Committee held six (6) Meetings with the external auditors, Chief Financial Officer and Director of Internal Audit attending the Meeting in related agenda item, which is summarized as follows:

1. Reviewed the quarterly and annual financial statements of 2015, the Audit Committee has reviewed the quarterly financial statements by questioning and listening to the management and the external auditor's clarifications concerning the correctness and completeness of the financial statements, compliances with generally accepted accounting principles. Selecting accounting policies and its adequacy of information disclosure, as well as acknowledged the problems and solutions that beneficial to the Company's business. The Audit Committee agreed with the external auditors that the financial statements were correct and adhered to the general accepted accounting principles and the disclosure of information is correct and complete.
2. Reviewed and commented the connected transactions or transactions that may lead to conflicts of interest, including the disclosure of such transactions, in compliance with the regulations of the Stock Exchange of Thailand (SET) and the Securities and Exchange Commission (SEC). The Audit Committee opined that such transaction is reasonable and for the highest benefit of the Company's business operation, including the disclosure of information is correct and complete.
3. Examined the outcomes of internal audit activities over the previous year and found out that there have been limitations on human resource. Thus, in order to encourage effectiveness of the internal audit operations especially in continuous examination, monitoring and improvement of arising issues, the Audit Committee has agreed upon a resolution that in 2016, the internal audit activities shall be conducted by the audit team from the outside who can independently perform these tasks. This initiative has been proposed to the Board of Directors to grant approval for Dharmniti Auditing Co., Ltd. to conduct internal audit activities in 2016, with the key objective of examining the overall operations, reports and compliance with policies, regulations, work instructions, and relevant laws on a continuous basis to improve the efficiency and effectiveness of the Company's internal control system. In this regard, the assessment results suggested that the Company's internal control system is sufficient.

4. Regulated the internal audit by considering the internal audit charter, a manual on internal audits, internal audit key performance indicators, audit plan 2014 as well as monitor progress against the annual audit plan every quarter.
5. Reviewed the operational processes to ensure compliance with laws, the Securities and Exchange Commission (SEC), in line with the regulations of the Stock Exchange of Thailand (SET), and other laws related to the Company's business, including compliance with the Company's requirements and obligations to the third parties. The Audit Committee informed that there are no significant issues regarding non-compliance with laws and regulations of the relevant item refer to the SET's regulatory.
6. To consider, select, and propose the appointment of the external auditor, and propose the auditor's remuneration for the year 2015 to the Board of Directors to propose the 2015 Annual General Meeting of Shareholders for approval. The Audit Committee has considered the performance, independence, and appropriateness of remuneration, deemed it appropriate the appointment of Mr. Sathien Vongsnan, Certified Public Accountant No. 3495, or Mr. Atipong Atipongsukul, Certified Public Accountant No. 3500, or Mr. Wichai Rujitanon, Certified Public Accountant No. 4054, or Miss Kultida Pasurakul, Certified Public Accountant No. 5946 of ANS Audit Co. Ltd., as the Company's auditors for the year 2015.

The Audit Committee is of the view that over the course of 2015, the Company's corporate governance and internal control systems have been properly implemented and the financial reports disclosing truthful information have been completely prepared in accordance with the financial report standard and lawful disclosure of information as directed by relevant regulations. Also, it has been ensured that risk management measures are adequately implemented, and that compliance with the law, regulations and commitments are fulfilled. Connected transactions have been accurately disclosed and all aspects of operations are coherent with the corporate governance system, without identification of any significant errors that potentially affect the Company's financial position. Additionally, work systems and procedures have constantly been developed to improve quality and better suit the business landscape.



(Assoc. Prof. Dr. Seksak Jumreornvong)

Chairman of Audit Committee

# Auditor's Report

## To the Board of Directors and Shareholders of Phol Dhanya Public Company Limited

I have audited the accompanying consolidated and separate financial statements of Phol Dhanya Public Company Limited and its subsidiaries and of Phol Dhanya Public Company Limited, which comprise the consolidated and separate statements of financial position as at December 31, 2015, and the related consolidated and separate statements of profit or loss and other comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In my opinion, the consolidated and separate financial statements referred to above present fairly, in all material respects, the consolidated and separate financial position of Phol Dhanya Public Company Limited and its subsidiaries and of Phol Dhanya Public Company Limited as at December 31, 2015, and the consolidated and separate financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.



(Sathien Vongsnan)

Certified Public Accountant Registration Number 3495

ANS Audit Company Limited

Bangkok, February 23, 2016

# Statement of Financial Position

Phol Dhanya Public Company Limited and Its Subsidiaries

As at December 31, 2015

|   | Note | Unit: Baht                        |                       |                               |                       |
|---|------|-----------------------------------|-----------------------|-------------------------------|-----------------------|
|   |      | Consolidated financial statements |                       | Separate financial statements |                       |
|   |      | 2015                              | 2014                  | 2015                          | 2014                  |
| <b>Assets</b>                                   |      |                                   |                       |                               |                       |
| <b>Current assets</b>                           |      |                                   |                       |                               |                       |
| Cash and cash equivalent                        | 5    | 59,136,988.83                     | 31,620,222.51         | 47,403,075.72                 | 19,885,775.49         |
| Trade and other receivables - net               | 4, 6 | 180,992,232.36                    | 154,289,926.92        | 187,256,948.78                | 155,564,197.81        |
| Unbilled receivables                            | 7    | 20,786,395.77                     | -                     | 18,510,174.77                 | -                     |
| Short-term loans to related parties - net       | 4    | -                                 | -                     | 10,000,000.00                 | -                     |
| Current portion of long-term loans to employees | 11   | 1,511,773.76                      | 1,348,495.38          | 1,297,105.41                  | 1,241,715.38          |
| Inventories - net                               | 8    | 227,504,683.02                    | 215,878,518.62        | 217,142,642.69                | 213,046,010.23        |
| Advance payment to sub-contractors              | 7    | 18,251,876.64                     | -                     | 18,251,876.64                 | -                     |
| <b>Total current assets</b>                     |      | <b>508,183,950.38</b>             | <b>403,137,163.43</b> | <b>499,861,824.01</b>         | <b>389,737,698.91</b> |
| <b>Non-current assets</b>                       |      |                                   |                       |                               |                       |
| Investment in subsidiaries company - net        | 9    | -                                 | -                     | 10,999,940.00                 | 14,385,625.00         |
| Other long-term investment - net                | 10   | -                                 | -                     | -                             | -                     |
| Long-term loans to employees - net              | 11   | 466,660.30                        | 881,494.43            | 439,566.87                    | 807,761.07            |
| Investment property - net                       | 12   | 7,700,274.49                      | 8,177,950.44          | 7,700,274.49                  | 8,177,950.44          |
| Property, plant and equipment - net             | 13   | 140,692,368.48                    | 129,170,131.86        | 139,167,870.55                | 129,040,727.61        |
| Leasehold right - net                           | 14   | 2,474,654.30                      | 2,374,969.76          | 2,149,654.30                  | 2,374,969.76          |
| Intangible assets - net                         | 15   | 1,559,925.14                      | 1,400,020.93          | 1,332,323.89                  | 1,400,020.93          |
| Deferred tax assets                             | 16   | 6,118,782.18                      | 5,172,209.70          | 5,844,875.56                  | 5,071,165.84          |
| Other non-current assets                        |      | 200,893.00                        | 57,893.00             | 22,100.00                     | 22,100.00             |
| <b>Total non-current assets</b>                 |      | <b>159,213,557.89</b>             | <b>147,234,670.12</b> | <b>167,656,605.66</b>         | <b>161,280,320.65</b> |
| <b>Total assets</b>                             |      | <b>667,397,508.27</b>             | <b>550,371,833.55</b> | <b>667,518,429.67</b>         | <b>551,018,019.56</b> |

# Statement of Financial Position

Phol Dhanya Public Company Limited and Its Subsidiaries

As at December 31, 2015

## Liabilities and shareholders' equity

### Current liabilities

|  |       |                       |                       |                       |                       |
|--|-------|-----------------------|-----------------------|-----------------------|-----------------------|
| Bank overdrafts and short-term loans from financial institutions | 17    | 139,125,310.24        | 40,949,651.27         | 139,125,310.24        | 40,949,651.27         |
| Trade and other payables   | 4, 18 | 171,872,404.79        | 151,717,591.27        | 171,026,601.03        | 145,782,894.72        |
| Short-term loan from related person                              | 4     | -                     | 25,194.01             | -                     | -                     |
| Current portion of long-term liabilities under finance leases    | 19    | 1,065,944.88          | 105,711.72            | 945,561.06            | 105,711.72            |
| Current portion of long-term loans from financial institutions   | 20    | 6,000,000.00          | 6,000,000.00          | 6,000,000.00          | 6,000,000.00          |
| Current income tax payable                                       |       | 3,222,076.94          | 5,907,903.66          | 3,222,076.94          | 5,745,960.58          |
| <b>Total current liabilities</b>                                 |       | <b>321,285,736.85</b> | <b>204,706,051.93</b> | <b>320,319,549.27</b> | <b>198,584,218.29</b> |
| <b>Non-current liabilities</b>                                   |       |                       |                       |                       |                       |
| Long-term liabilities under finance leases - net                 | 19    | 3,607,894.51          | 405,228.26            | 3,239,029.24          | 405,228.26            |
| Long-term loans from financial institutions - net                | 20    | 4,000,000.00          | 10,000,000.00         | 4,000,000.00          | 10,000,000.00         |
| Employee benefit obligations                                     | 21    | 16,944,179.99         | 14,411,848.89         | 15,824,809.12         | 13,647,677.42         |
| Other non-current liabilities                                    |       | 263,425.00            | 169,600.00            | 159,600.00            | 169,600.00            |
| <b>Total non-current liabilities</b>                             |       | <b>24,815,499.50</b>  | <b>24,986,677.15</b>  | <b>23,223,438.36</b>  | <b>24,222,505.68</b>  |
| <b>Total liabilities</b>   |       | <b>346,101,236.35</b> | <b>229,692,729.08</b> | <b>343,542,987.63</b> | <b>222,806,723.97</b> |

### Shareholders' equity

#### Share capital

|   |    |                       |                       |                       |                       |
|---|----|-----------------------|-----------------------|-----------------------|-----------------------|
| Authorized share capital                          |    |                       |                       |                       |                       |
| 162,000,000 ordinary shares, Baht 1 par value     | 22 | 162,000,000.00        | 162,000,000.00        | 162,000,000.00        | 162,000,000.00        |
| Issued and paid-up share capital                  |    |                       |                       |                       |                       |
| 161,999,986 ordinary shares, Baht 1 par value     | 22 | 161,999,986.00        | 161,999,986.00        | 161,999,986.00        | 161,999,986.00        |
| <b>Premium</b>                                    |    |                       |                       |                       |                       |
| Premium on share capital                          |    | 97,693,443.03         | 97,693,443.03         | 97,693,443.03         | 97,693,443.03         |
| Retained earnings                                 |    |                       |                       |                       |                       |
| Appropriated to legal reserve                     | 23 | 16,200,000.00         | 16,200,000.00         | 16,200,000.00         | 16,200,000.00         |
| Unappropriated                                    |    | 48,199,515.45         | 46,935,418.61         | 48,082,013.01         | 52,317,866.56         |
| Other component of shareholders' equity           |    | 37,058.48             | 67,939.12             | -                     | -                     |
| <b>Total shareholders' equity of the Company</b>  |    | <b>324,130,002.96</b> | <b>322,896,786.76</b> | <b>323,975,442.04</b> | <b>328,211,295.59</b> |
| Non-controlling interests                         |    | (2,833,731.04)        | (2,217,682.29)        | -                     | -                     |
| <b>Total shareholders' equity</b>                 |    | <b>321,296,271.92</b> | <b>320,679,104.47</b> | <b>323,975,442.04</b> | <b>328,211,295.59</b> |
| <b>Total liabilities and shareholders' equity</b> |    | <b>667,397,508.27</b> | <b>550,371,833.55</b> | <b>667,518,429.67</b> | <b>51,018,019.56</b>  |

## Statement of Profit or Loss and Other Comprehensive Income

Phol Dhanya Public Company Limited and Its Subsidiaries

For the Year Ended December 31, 2015

|  |   | Unit: Baht                        |                         |                               |                         |
|--|---|-----------------------------------|-------------------------|-------------------------------|-------------------------|
|  |   | Consolidated financial statements |                         | Separate financial statements |                         |
| Note   | 2015  | 2014                              | 2015                    | 2014                          |                         |
| <b>Revenues</b>  |   |                                   |                         |                               |                         |
|  | Revenue from sales  | 847,391,145.38                    | 797,712,426.33          | 817,822,652.80                | 784,024,464.49          |
|  | Revenue from rendering of services  | 67,511,582.92                     | 5,298,018.50            | 62,890,973.92                 | 5,171,218.50            |
|  | <b>Total revenues</b>   | <b>914,902,728.30</b>             | <b>803,010,444.83</b>   | <b>880,713,626.72</b>         | <b>789,195,682.99</b>   |
| <b>Costs</b>   |   |                                   |                         |                               |                         |
|  | Cost of sales   | (624,780,227.02)                  | (580,988,642.76)        | (608,389,014.35)              | (577,660,034.30)        |
|  | Cost of rendering of services   | (49,835,277.26)                   | (4,176,768.01)          | (58,228,771.61)               | (4,891,058.89)          |
|  | <b>Total costs</b>  | <b>(674,615,504.28)</b>           | <b>(585,165,410.77)</b> | <b>(666,617,785.96)</b>       | <b>(582,551,093.19)</b> |
|  | <b>Gross profit</b>   | <b>240,287,224.02</b>             | <b>217,845,034.06</b>   | <b>214,095,840.76</b>         | <b>206,644,589.80</b>   |
|  | Gain (loss) on exchange rate - net  | (683,214.74)                      | 2,058,452.75            | (714,890.14)                  | 2,038,347.06            |
|  | Reversal allowance for loss on impairment                                     | -                                 | -                       | -                             | 1,213,432.32            |
|  | Other income  | 3,039,700.08                      | 2,421,758.21            | 2,929,471.53                  | 1,540,762.98            |
|  | Selling expenses  | (101,587,093.94)                  | (88,085,078.15)         | (85,755,665.41)               | (77,727,151.66)         |
|  | Administrative expenses   | (88,107,150.72)                   | (83,192,872.89)         | (80,205,869.21)               | (77,926,315.51)         |
|  | Written off prepaid expenses  | 6 (5,932,947.76)                  | -                       | (5,150,000.00)                | -                       |
|  | Loss on impairment of investments   | 9 -                               | -                       | (3,385,686.00)                | (3,385,000.00)          |
|  | Finance costs   | (4,254,834.74)                    | (2,652,657.10)          | (4,219,812.85)                | (2,652,657.10)          |
|  | <b>Profit before income tax</b>   | <b>42,761,682.20</b>              | <b>48,394,636.88</b>    | <b>37,593,388.68</b>          | <b>49,746,007.89</b>    |
|  | Income tax expenses   | 26 (9,713,956.91)                 | (10,724,737.50)         | (9,429,565.03)                | (10,628,150.03)         |
|  | <b>Profit for the year</b>  | <b>33,047,725.29</b>              | <b>37,669,899.38</b>    | <b>28,163,823.65</b>          | <b>39,117,857.86</b>    |
| <b>Other comprehensive income</b>                                    |   |                                   |                         |                               |                         |
| <b>Items that may be reclassified subsequently to profit or loss</b> |   |                                   |                         |                               |                         |
|  | Exchange differences on translating financial statements of foreign operation | (30,880.64)                       | (17,690.24)             | -                             | -                       |
|  | <b>Other comprehensive income (loss) for the year</b>                         | <b>(30,880.64)</b>                | <b>(17,690.24)</b>      | <b>-</b>                      | <b>-</b>                |
|  | <b>Total comprehensive income for the year</b>                                | <b>33,016,844.65</b>              | <b>37,652,209.14</b>    | <b>28,163,823.65</b>          | <b>39,117,857.86</b>    |
| <b>Profit (loss) attributable to:</b>                                |   |                                   |                         |                               |                         |
|  | Equity holders of the Company   | 34,312,608.32                     | 38,855,272.41           | 28,163,823.65                 | 39,117,857.86           |
|  | Non-controlling interests   | (1,264,883.03)                    | (1,185,373.03)          | -                             | -                       |
|  |   | <b>33,047,725.29</b>              | <b>37,669,899.38</b>    | <b>28,163,823.65</b>          | <b>39,117,857.86</b>    |
| <b>Total comprehensive income (loss) attributable to:</b>            |   |                                   |                         |                               |                         |
|  | Equity holders of the Company   | 34,281,727.68                     | 38,837,582.17           | 28,163,823.65                 | 39,117,857.86           |
|  | Non-controlling interests   | (1,264,883.03)                    | (1,185,373.03)          | -                             | -                       |
|  |   | <b>33,016,844.65</b>              | <b>37,652,209.14</b>    | <b>28,163,823.65</b>          | <b>39,117,857.86</b>    |
| <b>Earnings per share</b>  |   |                                   |                         |                               |                         |
|  | Basic earnings per share (Baht)   | 27 0.21                           | 0.24                    | 0.17                          | 0.24                    |
|  | Weighted average number of ordinary shares (shares)                           | 27 161,999,986                    | 161,999,986             | 161,999,986                   | 161,999,986             |

# Statement of Changes in Shareholders' Equity

Phol Dhanya Public Company Limited and Its Subsidiaries

For the Year Ended December 31, 2015

Unit: Baht

|      |   | Consolidated financial statements                          |                          |   |                 |                                  |   |   |                           |                            |  |
|------|---|--|--------------------------|---|-----------------|----------------------------------|---|---|---------------------------|----------------------------|--|
|      |   | Equity attributable to shareholders' equity of the Company |                          |   |                 |                                  |   |   |                           |                            |  |
|      |   | Retained earnings  |                          | Other component of shareholders' equity |                 | Other comprehensive income       |   | Change in percentage of holding in subsidiary |                           | Total                      |  |
|      |   | Issued and paid-up share capital                           | Premium on share capital | Appropriated for legal reserve          | Unappropriated  | Translating financial statements | Total other component of shareholders' equity | Total   | Non-controlling interests | Total Shareholders' Equity |  |
| Note |   | share capital  | share capital            | legal reserve                           | Unappropriated  | statements                       | equity  | equity  | interests                 | Equity                     |  |
|      | <b>Balance as at January 1, 2015</b>                              | 161,999,986.00   | 97,693,443.03            | 16,200,000.00                           | 46,935,418.61   | 67,939.12                        | 67,939.12                                     | 322,896,786.76                                | (2,217,682.29)            | 320,679,104.47             |  |
|      | Changes in equity for the year                                    |  |                          |   |                 |                                  |   |   |                           |                            |  |
| 24   | Dividend paid   | -  | -                        | -                                       | (32,399,677.20) | -                                | -   | (32,399,677.20)                               | -                         | (32,399,677.20)            |  |
|      | Increase in non-controlling interests without a change in control | -  | -                        | -                                       | -               | -                                | (648,834.28)                                  | (648,834.28)                                  | 648,834.28                | -                          |  |
|      | Total comprehensive income for the year                           | -  | -                        | -                                       | 34,312,608.32   | (30,880.64)                      | (30,880.64)                                   | 34,281,727.68                                 | (1,264,883.03)            | 33,016,844.65              |  |
|      | <b>Balance as at December 31, 2015</b>                            | 161,999,986.00   | 97,693,443.03            | 16,200,000.00                           | 48,848,349.73   | 37,058.48                        | (611,775.80)                                  | 324,130,002.96                                | (2,833,731.04)            | 321,296,271.92             |  |
|      | <b>Balance as at January 1, 2014</b>                              | 135,000,000.00   | 97,693,443.03            | 13,500,000.00                           | 64,240,145.08   | 85,629.36                        | 85,629.36                                     | 310,519,217.47                                | (1,821,410.76)            | 308,697,806.71             |  |
|      | Changes in equity for the year                                    |  |                          |   |                 |                                  |   |   |                           |                            |  |
| 22   | Increasing of share capital                                       | 26,999,986.00  | -                        | -                                       | -               | -                                | -   | 26,999,986.00                                 | -                         | 26,999,986.00              |  |
|      | Increase in non-controlling interest                              | -  | -                        | -                                       | -               | -                                | -   | -   | 789,101.50                | 789,101.50                 |  |
| 24   | Dividend paid   | -  | -                        | -                                       | (53,459,998.88) | -                                | -   | (53,459,998.88)                               | -                         | (53,459,998.88)            |  |
| 23   | Appropriated to statutory reserve                                 | -  | -                        | 2,700,000.00                            | (2,700,000.00)  | -                                | -   | -   | -                         | -                          |  |
|      | <b>Total comprehensive income for the year</b>                    | -  | -                        | -                                       | 38,855,272.41   | (17,690.24)                      | (17,690.24)                                   | 38,837,582.17                                 | (1,185,373.03)            | 37,652,209.14              |  |
|      | <b>Balance as at December 31, 2014</b>                            | 161,999,986.00   | 97,693,443.03            | 16,200,000.00                           | 46,935,418.61   | 67,939.12                        | 67,939.12                                     | 322,896,786.76                                | (2,217,682.29)            | 20,679,104.47              |  |

# Statement of Changes in Shareholders' Equity

Phol Dhanya Public Company Limited and Its Subsidiaries  
For the Year Ended December 31, 2015

|   | Separate financial statements |                                  |                          |                                  |                 | Unit: Baht      |       |
|---|-------------------------------|----------------------------------|--------------------------|----------------------------------|-----------------|-----------------|-------|
|   | Note                          | Issued and paid-up share capital | Premium on share capital | Retained earnings                |                 |                 | Total |
|   |                               |                                  |                          | Appropriated - statutory reserve | Unappropriated  |                 |       |
| <b>Balance as at January 1, 2015</b>    |                               | 161,999,986.00                   | 97,693,443.03            | 16,200,000.00                    | 52,317,866.56   | 328,211,295.59  |       |
| Changes in equity for the year          | 24                            | -                                | -                        | -                                | (32,399,677.20) | (32,399,677.20) |       |
| Dividend paid                           |                               | -                                | -                        | -                                | 28,163,823.65   | 28,163,823.65   |       |
| Total comprehensive income for the year |                               |                                  |                          |                                  |                 |                 |       |
| <b>Balance as at December 31, 2015</b>  |                               | 161,999,986.00                   | 97,693,443.03            | 16,200,000.00                    | 48,082,013.01   | 323,975,442.04  |       |
| <b>Balance as at January 1, 2014</b>    |                               | 135,000,000.00                   | 97,693,443.03            | 13,500,000.00                    | 69,360,007.58   | 315,553,450.61  |       |
| Changes in equity for the year          |                               |                                  |                          |                                  |                 |                 |       |
| <b>Increasing of share capital</b>      |                               | 26,999,986.00                    | -                        | -                                | -               | 26,999,986.00   |       |
| Dividend paid                           | 24                            | -                                | -                        | -                                | (53,459,998.88) | (53,459,998.88) |       |
| Appropriated to statutory reserve       | 23                            | -                                | -                        | 2,700,000.00                     | (2,700,000.00)  | -               |       |
| Total comprehensive income for the year |                               | -                                | -                        | -                                | 39,117,857.86   | 39,117,857.86   |       |
| <b>Balance as at December 31, 2014</b>  |                               | 161,999,986.00                   | 97,693,443.03            | 16,200,000.00                    | 52,317,866.56   | 328,211,295.59  |       |

# Statement of Cash Flow

Phol Dhanya Public Company Limited and Its Subsidiaries

For the Year Ended December 31, 2015

|   | Unit : Baht                       |                      |                               |                      |
|---|-----------------------------------|----------------------|-------------------------------|----------------------|
|   | Consolidated financial statements |                      | Separate financial statements |                      |
|   | 2015                              | 2014                 | 2015                          | 2014                 |
| <b>Cash flows from operating activities:</b>                                    |                                   |                      |                               |                      |
| Profit before income tax  | 42,761,682.20                     | 48,394,636.88        | 37,593,388.68                 | 49,746,007.89        |
| Adjustment to reconcile profit to net cash by<br>(used in) operating activities |                                   |                      |                               |                      |
| Doubtful accounts   | 923,539.53                        | -                    | 2,799,140.16                  | -                    |
| Reversal allowance for doubtful accounts  | (549,218.00)                      | (16,692.00)          | (549,218.00)                  | (16,692.00)          |
| Written off prepaid expenses  | 5,932,947.76                      | -                    | 5,150,000.00                  | -                    |
| Loss on diminution in value of inventories                                      | 5,455,599.27                      | 5,164,546.59         | 5,455,599.27                  | 5,164,546.59         |
| Loss from inventories written-off   | 711,410.48                        | -                    | 711,410.48                    | -                    |
| Loss on impairment of investments in subsidiary                                 | -                                 | -                    | 3,385,686.00                  | 3,385,000.00         |
| Reversal of allowance for diminution in value of inventories                    | (4,358,633.44)                    | (4,052,415.60)       | (4,358,633.44)                | (4,052,415.60)       |
| Reversal allowance for loss on impairment                                       | -                                 | -                    | -                             | (1,213,432.32)       |
| Depreciation and amortisation   | 14,475,964.37                     | 12,469,599.08        | 14,260,129.33                 | 12,624,132.86        |
| (Gain) loss on disposal of fixed assets   | (113,180.15)                      | 4,347.36             | (119,344.74)                  | 4,347.36             |
| Employee benefits expenses  | 2,532,331.10                      | 3,322,062.14         | 2,177,131.70                  | 2,765,389.44         |
| Unrealized loss gain on exchange rate   | (858,940.54)                      | (67,769.59)          | (858,940.54)                  | (116,199.47)         |
| Other receivables and deposit written-off                                       | 347,449.67                        | -                    | 347,449.67                    | -                    |
| Gain from debt forgiveness  | -                                 | (793,730.00)         | -                             | -                    |
| Provision for guarantee project   | 103,825.00                        | -                    | -                             | -                    |
| Interest income   | (414,611.62)                      | (443,423.84)         | (384,322.04)                  | (399,793.85)         |
| Interest expense  | 4,254,834.74                      | 2,652,657.10         | 4,219,812.85                  | 2,652,657.10         |
| Profit from operations before changes in operating<br>assets and liabilities    | 71,205,000.37                     | 66,633,818.12        | 69,829,289.38                 | 70,543,548.00        |
| Operating assets (increase) decrease  |                                   |                      |                               |                      |
| Trade and other receivables   | (31,908,094.70)                   | (32,675,687.02)      | (39,270,036.70)               | (28,921,593.90)      |
| Unbilled receivables  | (20,786,395.77)                   | -                    | (18,510,174.77)               | -                    |
| Inventories   | (15,197,332.00)                   | (30,048,004.53)      | (7,667,800.06)                | (29,968,738.93)      |
| Advance payment for sub-contractors   | (18,251,876.64)                   | -                    | (18,251,876.64)               | -                    |
| Other non-current liabilities   | (143,000.00)                      | (35,793.00)          | -                             | -                    |
| Operating liabilities increase (decrease)                                       |                                   |                      |                               |                      |
| Trade and other payables  | 6,676,815.33                      | 38,600,997.37        | 11,790,902.13                 | 36,771,384.26        |
| Other non-current liabilities   | (10,000.00)                       | (40,000.00)          | (10,000.00)                   | (40,000.00)          |
| Cash received from operating activities   | (8,414,883.41)                    | 42,435,330.94        | (2,089,696.66)                | 48,384,599.43        |
| Cash received from corporate income tax refund                                  | -                                 | 174,551.20           | -                             | -                    |
| Cash paid for corporate income tax  | (14,795,285.81)                   | (10,235,712.21)      | (12,897,244.49)               | (9,957,337.50)       |
| <b>Net cash from (used in) operating activities</b>                             | <b>(23,210,169.22)</b>            | <b>32,374,169.93</b> | <b>(14,986,941.15)</b>        | <b>38,427,261.93</b> |

# Statement of Cash Flow

Phol Dhanya Public Company Limited and Its Subsidiaries

For The Year Ended December 31, 2015

|   | Unit: Baht                        |                        |                               |                        |
|---|-----------------------------------|------------------------|-------------------------------|------------------------|
|   | Consolidated financial statements |                        | Separate financial statements |                        |
|   | 2015                              | 2014                   | 2015                          | 2014                   |
| <b>Cash flows from investing activities:</b>                                  |                                   |                        |                               |                        |
| Payments for investment in subsidiaries                                       | -                                 | -                      | (1.00)                        | (13,596,655.00)        |
| Increase in short-term loans to related party                                 | -                                 | -                      | (17,800,000.00)               | -                      |
| Decrease in short-term loans to related party                                 | -                                 | -                      | 7,800,000.00                  | -                      |
| (Increase) decrease in loan to employees                                      | 251,555.75                        | (111,872.01)           | 312,804.17                    | 68,641.35              |
| Proceeds from sales of fixed assets   | 1,693,084.12                      | 4,532.67               | 1,693,084.12                  | 4,532.67               |
| Acquisition of fixed assets   | (5,325,027.50)                    | (2,819,711.87)         | (4,515,647.49)                | (2,158,324.91)         |
| Acquisition of leasehold right  | (450,000.00)                      | -                      | -                             | -                      |
| Acquisition of intangible assets  | (873,875.35)                      | (105,800.00)           | (626,335.35)                  | (105,800.00)           |
| Interest received   | 414,611.62                        | 443,423.84             | 384,322.04                    | 399,793.85             |
| <b>Net cash used in investing activities</b>                                  | <b>(4,289,651.36)</b>             | <b>(2,589,427.37)</b>  | <b>(12,751,773.51)</b>        | <b>(15,387,812.04)</b> |
| <b>Cash flows from financing activities:</b>                                  |                                   |                        |                               |                        |
| Increase (decrease) in short-term loans from financial institutions           | 98,175,658.97                     | (9,632,651.77)         | 98,175,658.97                 | (9,632,651.77)         |
| Repayment of liabilities under long-term lease agreements                     | (355,243.88)                      | (337,920.66)           | (335,648.76)                  | (337,920.66)           |
| Repayment of long-term loans from financial institutions                      | (6,000,000.00)                    | (6,000,000.00)         | (6,000,000.00)                | (6,000,000.00)         |
| Receipt of short-term loan from related party                                 | -                                 | 25,194.01              | -                             | -                      |
| Interest paid   | (4,219,340.02)                    | (2,647,772.88)         | (4,184,318.13)                | (2,647,772.88)         |
| Dividends paid  | (32,399,677.20)                   | (26,445,981.22)        | (32,399,677.20)               | (26,445,981.22)        |
| Increase in non-controlling interests   | -                                 | 789,101.50             | -                             | -                      |
| <b>Net cash from (used in) financing activities</b>                           | <b>55,201,397.87</b>              | <b>(44,250,031.02)</b> | <b>55,256,014.88</b>          | <b>(45,064,326.53)</b> |
| <b>Net increase (decrease) in cash and cash equivalents</b>                   | <b>27,701,577.29</b>              | <b>(14,465,288.46)</b> | <b>27,517,300.23</b>          | <b>(22,024,876.64)</b> |
| Exchange differences on translating financial statements of foreign operation | (184,810.97)                      | (37,066.57)            | -                             | -                      |
| Cash and cash equivalents at beginning of the year                            | 31,620,222.51                     | 46,122,577.54          | 19,885,775.49                 | 41,910,652.13          |
| <b>Cash and cash equivalents at end of the year</b>                           | <b>59,136,988.83</b>              | <b>31,620,222.51</b>   | <b>47,403,075.72</b>          | <b>19,885,775.49</b>   |

## Supplemental cash flow information

### Non-cash transactions

|   |               |               |               |               |
|---|---------------|---------------|---------------|---------------|
| Vehicle obtained under financial lease agreement                      | 4,518,143.50  | -             | 4,009,299.08  | -             |
| Transfer raw materials and inventories to fixed assets                | 1,762,791.29  | 2,207,241.14  | 1,762,791.29  | 2,577,866.32  |
| Transfer to inventory during period - net book value at transfer date | -             | 248,941.26    | -             | 248,941.26    |
| Stock dividend paid   | -             | 26,999,986.00 | -             | 26,999,986.00 |
| Increase in payable for purchasing of fixed assets                    | 14,276,250.00 | -             | 14,276,250.00 | -             |

# Notes to Financial Statements

Phol Dhanya Public Company Limited and Its Subsidiaries

For the Year Ended December 31, 2015

## 1. GENERAL INFORMATION

- 1.1 Phol Dhanya Public Company Limited (“the Company”) was incorporated and domiciled in Thailand on January 4, 1961 and became a public company limited on April 30, 2008. The Company was listed on the Stock Exchange of Thailand on December 9, 2010.
- 1.2 The address of its registered office and branches are as follows:
  - 1.2.1 Head office: 1/11 Moo 3 Lamlukka Road, Tambol Ladsawai, Amphur Lamlukka, Pathumthani.
  - 1.2.2 Rayong branch: 155/213 Tambol Thupma, Muang Rayong, Rayong.
  - 1.2.3 Chiangmai branch: 47/55-57 Chotana Road, Changphueak, Muang Chiangmai, Chiangmai.
  - 1.2.4 Phuket branch: 1/127 Moo 3 Tambol Rasada, Muang Phuket, Phuket.
- 1.3 The Company engages in a trading business, i.e. distribution of occupational safety, health and environmental products and the distribution, production and servicing of water treatment systems.
- 1.4 The Company has the following four subsidiaries:
  - 1.4.1 PD Genesis Engineering Co., Ltd. which engages in Water Treatment System. The Company held 76.67% of its share capital. This subsidiary was registered to be dissolved with Ministry of Commerce on November 7, 2013 and is currently under the process of liquidation.
  - 1.4.2 Phol Palladium Co., Ltd. which was registered with Ministry of Commerce on January 22, 2013 to engage in government bidding to facilitate the Company’s business. The Company held 99.99% of its share capital.
  - 1.4.3 Phol Dhanya (Cambodia) Co., Ltd. which was registered with Ministry of Commerce of Cambodia on September 5, 2013 to engage in water treatment equipment and systems for the consumer and concessions for water supply to the community in Cambodia. The Company held 70% of its share capital. Subsequently, on December, 2015, the Company acquired common shares of Phol Dhanya (Cambodia) Co., Ltd. from the partner. As a result, the Company has shareholding proportion in Phol Dhanya (Cambodia) Co., Ltd. at 100%.
  - 1.4.4 Phol Water Co., Ltd. which was registered with Ministry of Commerce on March 17, 2014 to engage production and distribution of water supply in the form of concessions, both government and private sector. The Company held 99.99% of its share capital.
- 1.5 The major shareholders of the company are Wangthamrong family and Jarutangtrong family.

## 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The accompanying financial statements are prepared in accordance with Thai Financial Reporting Standards (“TFRS”) including related interpretations and guidelines promulgated by the Federation of Accounting Professions (“FAP”) and applicable rules and regulations of the Thai Securities and Exchange Commission.

The presentation of the financial statements has been made in compliance with the stipulations of the Notification of the Department of Business Development dated September 28, 2011, issued under the Accounting Act B.E. 2543.

The accompanying financial statements have been prepared in Thai language and expressed in Thai Baht. Such financial statements have been prepared for domestic reporting purposes. For the convenience of the readers not conversant with the Thai language,

an English version of the financial statements has been provided by translating from the Thai version of the financial statements.

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

The preparation of the financial statements in conformity with Thai Financial Reporting Standards (“TFRS”) requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying amounts of assets and liabilities that are not readily apparent from other sources. Subsequent actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, and in the period of the revision and future periods, if the revision affects both current and future periods.

### Consolidated Financial Statements

The consolidated financial statements consisted of the financial statements of Phol Dhanya Public Company Limited, and subsidiaries (together referred to as “the Group”) as follow:

| Subsidiaries                     | Countries | Business Type  | Percentage of holding (%) |       |
|----------------------------------|-----------|--|---------------------------|-------|
|                                  |           |  | 2015                      | 2014  |
| PD Genesis Engineering Co., Ltd. | Thailand  | Water Treatment System   | 76.67                     | 76.67 |
| Phol Palladium Co., Ltd.         | Thailand  | Government bidding   | 99.99                     | 99.99 |
| Phol Dhanya (Cambodia) Co., Ltd. | Cambodia  | Water treatment equipment and systems for the consumer and concessions for water supply to the community in Cambodia | 100.00                    | 70.00 |
| Phol Water Co., Ltd.             | Thailand  | Production and distribution of water supply in the form of concessions, both government and private sector           | 99.99                     | 99.99 |

All significant intercompany transactions and accounts were eliminated in preparing the consolidated financial statements.

Subsidiaries are an entity controlled by the Company. Control exists when the Company has the power, directly or indirectly through other subsidiaries, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Total profit or loss is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Upon loss of control, the Company derecognized the assets and liabilities of the subsidiaries, the carrying amount of non-controlling interests and any components of other profit or loss attributable to those subsidiaries. The Company recognized profit or loss arising on the loss of control in income statement.

Any investment retained in the former subsidiaries shall be accounted for fair value from the date when control is lost.

## New Thai Financial Reporting Standards

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

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

The Federation of Accounting Professions has issued a number of revised and new accounting standards that become effective for fiscal years beginning on or after January 1, 2015. These accounting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of accounting standards.

The management of the Company believes they will not have any significant impact on the financial statements in the year in which they are adopted. However, some of these accounting standards involve changes to key principles, as discussed below:

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

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

In the past, the Company and its subsidiaries immediately recognise actuarial gains and losses in profit or loss in the period in which they occur. The assessment of the management of the Company and its subsidiaries is that when the revised standard is applied in 2015 and the method of recognising those gains and losses is changed to immediately recognise them in other comprehensive income, there is no impact to provision for long-term employee benefit liabilities and brought forward retained earnings in the financial statements and that has no any significant impact of the presentation on the statement of profit or loss and other comprehensive income.

#### TFRS 10 Consolidated Financial Statements

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

The management of the Company and its subsidiaries believes that the standard has no any significant impact on the Company and its subsidiaries' financial statements.

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

This standard stipulates disclosures relating to an entity's interests in subsidiaries, joint arrangements and associates, including structured entities. This standard therefore has no financial impact to the financial statements of the Company and its subsidiaries.

#### TFRS 13 Fair Value Measurement

This standard provides guidance on how to measure fair value and stipulates disclosures related to fair value measurements. Entities are to apply the guidance under this standard if they are required by other accounting standards to measure their assets or liabilities at fair value. The effect of the change from the adoption of this standard is to be recognised prospectively.

Based on the preliminary analysis, the management of the Company and its subsidiaries believes that this standard has no any significant impact on the Company and its subsidiaries' financial statements.

### b) Financial reporting standard issued during the period and not yet effective

During the period, the Federation of Accounting Professions issued a number of the revised financial reporting standards (revised 2015) which is effective for fiscal years beginning on or after January 1, 2016. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards.

The management of the Company and its subsidiaries believe that the revised financial reporting standards will not have any significant impact on the financial statements when it is initially applied.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue and expenses recognition

#### *Sales of goods*

Sales of goods are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales are the invoiced value, excluding value added tax, of goods supplied after deducting discounts.

#### *Revenue and cost of water supply systems for villages and the water treatment system construction contracts*

Revenue and cost of water supply systems for villages and the water treatment system contracts are recognized using the percentage of completion. The stage of completion is assessed by using the best estimate from Management based on work performed. The gross amount due from customers for the contracts pertaining to the excess of costs incurred plus recognized profits (less recognized losses) over progress billing are presented as “Unbilled receivables” under current assets in the statements of financial position. The gross amount due to customers for long-term contracts pertaining to the excess of progress billings over cost incurred plus recognized profits (less recognized losses) are presented as “Deferred construction revenue” under current liabilities in the statements of financial position.

Cost of water supply systems for villages and the water treatment system contracts comprises the costs of materials, labor, subcontractors’ charges, other services and overheads. Construction contracts under which incurred construction cost exceeds calculated cost of construction under percentage of completion, and cost of project for which revenue has not yet been recognized are presented as “Construction contracts in progress” under current assets in the statement of financial position. Contracts under which calculated costs of construction exceeds incurred cost of construction are presented as “Accrued construction costs” under current liabilities in the statement of financial position.

The Group recognizes expected losses on uncompleted contracts as expenses in the period in which such losses are determined. Warranty and penalty costs are recognized on the accrual basis.

#### *Other Services revenue*

Other service revenue is recognised when services have been rendered.

#### *Interest income and other income*

Interest income and other income are recognised on an accrual basis.

#### *Expenses*

Expense is recognised in profit or loss on accrual basis.

#### Cash and cash equivalents

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

#### Trade, other receivables and allowance for doubtful accounts

Trade and other receivables are stated at the net realisable value. The Group has provided the allowance for doubtful accounts for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection history, the current financial status of accounts receivable and analysis of debt aging.

#### Inventories

Finished goods and work in process are valued at the lower of cost calculated by moving average and net realisable value.

The costs of purchased inventories comprise of the purchase price, conversion cost and other costs directly attributed to the acquisition of goods. Raw materials are valued at the lower of cost calculated by moving average and net realisable value and are charged to production costs and cost of services whenever consumed. The costs of purchased inventories comprise of the purchase price, conversion cost and other costs directly attributed to the acquisition of goods.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Allowance for diminution in value of inventories is recorded by considering obsolete inventories and slow moving inventories.

#### Investment

Investment in subsidiaries accounted for in the separate financial statements is stated at cost net of allowance for loss on impairment (if any).

Investments in non-marketable equity securities, which the Company classifies as other investments, are stated at cost net of allowance for loss on impairment (if any).

A test for impairment is carried out when there is a factor indicating that an investment might be impaired. If the carrying value of the investment is higher than its recoverable amount. The impairment loss is charged to profit or loss.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged to profit or loss. When disposing of part of the Group's holding of a particular investment in debt or equity securities, the carrying amount of the disposed part is determined by the weighted average carrying amount of the total holding of the investment.

#### Property, plant and equipment

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

The Group separates part of assets and their estimated useful life as follows:

|                                    | <u>Useful life(years)</u>      |
|------------------------------------|--------------------------------|
| Building and building improvements | 20 – 30                        |
| Utility system                     | 10                             |
| Demonstration goods                | 5                              |
| Tools                              | 5                              |
| Furniture and equipments           | 3 – 5                          |
| Vehicles                           | 5                              |
| Assets under water sales agreement | periods of agreements, 5 years |
| Safety equipment for rent          | periods of agreements, 3 years |

#### Investment property

Investment property 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 stated at cost less accumulated depreciation and less allowance for impairment loss (if any).

The Group separates part of assets and their estimated useful life as follows:

|                                    | <u>Useful life (years)</u> |
|------------------------------------|----------------------------|
| Building and building improvements | 20 - 30                    |

Depreciation

Depreciation is computed by the straight-line method based on the useful life of assets.

Depreciation is included in determining operating result and no depreciation is provided on land and property in progress.

Repairs and maintenance are charged to profit or loss during the financial years in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group.

Major renovations are depreciated over the remaining useful life of the related asset.

Land and building leasehold rights and amortisation

Land and building leasehold rights are stated at cost less accumulated amortisation. Amortisation of land and building leasehold rights is calculated by reference to their costs on a straight-line basis over the periods of lease agreements.

Amortisation is included in determining income.

Intangible assets and amortisation

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment loss (if any).

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

The amortisation expense is charged to the statement of comprehensive income.

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

|                    | <u>Useful life(years)</u> |
|--------------------|---------------------------|
| Computer softwares | 5                         |

Impairment of assets

At each reporting date, the Company performs impairment reviews in respect of the property, plant and equipment whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that, based on information available, reflects the amount that the Company could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

An impairment loss is recognised in profit or loss.

## Employee benefits

### *Short-term benefits*

The Group recognizes salaries, wages, bonus and social security contribution as expenses on an accrual basis.

### *Post-employment benefits – defined contribution plan*

The Group has established a provident fund that is a defined contribution plan. The assets of which are held in a separate trust fund. The provident fund is funded by the contribution from employees and the Group. Contributions to the provident fund are charged to profit or loss in the period to which they relate.

### *Post-employment benefits – defined benefit plan*

The employee benefits liabilities in relation to the severance payment under the labor law is recognized as a charge to results of operations over the employee's service period. It is calculated by the estimation of the amount of future benefit to be earned by the employee in return for the service provided to the Group through the service period up to the retirement age and the amount is discounted to determine the present value. The reference discount rate is the yield rate of government bonds as at the reporting date. The calculation is based on the actuarial technique using the Projected Unit Credit Method.

When the employee benefits are improved, the portion of the increased benefit relating to past service rendered by employee is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested.

When the actuarial assumptions are changed, the Group recognizes actuarial gains or losses in other comprehensive income in the period in which they arise.

## Lease agreements

### *Finance Leases*

The leases of assets, which the substantial all the risk and reward associated with the ownership of the assets have been transferred to the lessee, title may or may not eventually be transferred to the lessee under the finance lease arrangements, are classified as finance leases. The lessee is to record the finance lease as an asset and obligation at an amount to the fair value of the leased asset or the present value of the minimum lease payment whichever is lower. The interest expense is charged to profit or loss over the lease period. The leased asset is depreciated over the useful life.

### *Operating Leases*

The leases of assets, which the substantial all the risk and reward associated with the ownership of the assets have not been transferred to the lessee, are classified as operating leases. The payments made under operating leases are charged to the profit or loss on a straight - line method over the period of the lease agreements.

### Foreign currencies

#### *Functional and presentation currency*

The financial statements of each entity within the Group are presented in the functional currency which is the currency of the primary economic environment in which the entity operates. The financial statements of the Group are presented in the presentation currency as Thai Baht in accordance with the regulatory requirements in Thailand. The functional currencies of the Company, PD Genesis Engineering Co., Ltd., Phol Palladium Co., Ltd., and Phol Water Co., Ltd., is Thai Baht and of Phol Dhanya (Cambodia) Co., Ltd, is US Dollars.

#### *Foreign currency transactions*

Transactions in foreign currencies are translated into the functional currencies using the exchange rate at the date of transactions. Monetary assets and liabilities denominated in foreign currencies at the end of reporting period date are translated into the functional currency using the exchange rate at the end of reporting period date. Gain or loss on translating is recognized in profit or loss. Non-monetary assets and liabilities measured at cost in foreign currencies at the end of reporting period date are translating into the functional currency using the exchange rate at the date of transaction.

#### *Translation of the Group's financial statements*

The financial statements of the Group are translated into the presentation currency using the following exchange rate:

- The Group's assets and liabilities are translated at the closing rate as at the end of reporting period date.
- The Group's revenues and expenses are translated at the average exchange rates during the periods which are approximate the exchange rates at the dates of transactions; and
- Share capital is translated at historical rates.

Exchange differences on translating financial information are recognized in the other profit or loss and presented in the exchange differences as a separate component of shareholders' equity until the disposal of the foreign operation.

### Basic earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to shareholders of the parent by the number of weighted average ordinary shares which are issued during the year.

### Related party transactions

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

They also include associated companies and individuals which directly or indirectly own a voting interest in the Group and the Company that gives them significant influence over the Group and the Company, key management personnel, directors and officers of the company and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

### Provisions

Provisions are recognised when the Group have a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

### Income tax

Income tax expense for the year comprises current and deferred tax. Current and deferred taxes are recognised in profit or loss except to the extent that they relate to items recognised directly in shareholders' 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 end of reporting period date, and any adjustment to tax payable in respect of previous years. Deferred tax is recognised 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 recognised for the following temporary differences:

- differences relating to investments in subsidiaries and jointly-controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

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 end of reporting period 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 their 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 realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at the end of reporting period date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### Fair value measurement

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

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

- Level 1 - Use of quoted market prices in an observable active market for such assets or liabilities
- Level 2 - Use of other observable inputs for such assets or liabilities, whether directly or indirectly
- Level 3 - Use of unobservable inputs such as estimates of future cash flows

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

### Significant accounting judgments and estimates

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

#### *Leases*

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

#### *Allowance for doubtful accounts*

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

#### *Allowance for diminution in value of inventory*

Allowances for diminution in the value of inventory accounts are intended to adjust the value of inventory for probable credit losses. The management uses judgment to estimate losses, based on an analysis of inventory aging, taking into account the current situation with respect to sales of inventory items, on a specific basis. However, the use of different estimates and assumptions could affect the amounts of allowance for diminution in value of inventory in the future.

#### *Property plant and equipment/Depreciation*

In determining depreciation of plant and equipment, the management is required to make estimates of the useful lives and salvage values of the Company's plant and equipment and to review estimate useful lives and salvage values when there are any changes.

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

#### *Retirement employee benefits*

The Group has commitments on retirement benefits to employees under the Thai Labour Law. The amount of provision presented in the statement of financial position represents the present value of employee benefit obligations which is determined on an actuarial basis using various assumptions. The assumptions used in determining the net period cost for employee benefits includes the discount rate, the rate of salary inflation and employee turnover and others. Any changes in these assumptions will impact the net periodic cost recorded for employee benefits. On an annual basis the Group determines those assumptions i.e. the appropriate discount rate, which should represent the interest rate that should be used to determine the present value of future cash flows currently expected to be required to settle the employee benefits. In determining the appropriate discount rate, the Group considers the current yields on long-term government bonds.

## 4. RELATED PARTY TRANSACTIONS

Related parties are those parties linked to the Group and the Company as shareholders or by common shareholders or directors. Transactions with related parties are conducted at prices based on market prices or, where no market price exists, at contractually agreed prices.

Relationships with related parties that control the Company or are being controlled by the Company or have transactions with the Group were as follows:

4.1 Related parties consist of:

| Name                             | Country  | Relationship | Status                |
|----------------------------------|----------|--------------|-----------------------|
| <b>Subsidiaries</b>              |          |              |                       |
| PD Genesis Engineering Co., Ltd. | Thailand | Shareholding | During of liquidation |
| Phol Palladium Co., Ltd.         | Thailand | Shareholding | Operation - active    |
| Phol Dhanya (Cambodia) Co., Ltd. | Cambodia | Shareholding | Operation - active    |
| Phol Water Co., Ltd.             | Thailand | Shareholding | Operation - active    |

4.2 The balances of the accounts between the Company and those related company as at December 31, 2015 and 2014 are as follows:

|  | Unit: Baht                        |      |                               |                      |
|--|-----------------------------------|------|-------------------------------|----------------------|
|  | Consolidated financial statements |      | Separate financial statements |                      |
|  | 2015                              | 2014 | 2015                          | 2014                 |
| <b>Trade and other receivables-related parties - net</b>                         |                                   |      |                               |                      |
| <b>Trade receivables - related parties</b>                                       |                                   |      |                               |                      |
| Phol Palladium Co., Ltd.   | -                                 | -    | 16,191,527.84                 | 21,884,913.77        |
| Phol Dhanya (Cambodia) Co., Ltd.   | -                                 | -    | 4,865,171.97                  | 1,841,857.31         |
| Phol Water Co., Ltd.   | -                                 | -    | 2,530,974.80                  | 90,932.88            |
| <b>Total trade receivables - related parties</b>                                 | -                                 | -    | <b>23,587,674.61</b>          | <b>23,817,703.96</b> |
| <u>Less</u> Allowance for doubtful accounts                                      | -                                 | -    | (2,125,762.89)                | -                    |
| <b>Total trade receivables - related parties - net</b>                           | -                                 | -    | <b>21,461,911.72</b>          | <b>23,817,703.96</b> |
| <b>Other receivables - related parties - net</b>                                 |                                   |      |                               |                      |
| PD Genesis Engineering Co., Ltd.   | -                                 | -    | 126,278.09                    | 126,278.09           |
| Phol Dhanya (Cambodia) Co., Ltd.   | -                                 | -    | 3,080,271.22                  | 1,474,365.63         |
| <b>Total other receivables - related parties</b>                                 | -                                 | -    | <b>3,206,549.31</b>           | <b>1,600,643.72</b>  |
| <u>Less</u> Allowance for doubtful accounts - accrued interest income receivable | -                                 | -    | (126,278.09)                  | (126,278.09)         |
| <b>Total other receivables - related parties - net</b>                           | -                                 | -    | <b>3,080,271.22</b>           | <b>1,474,365.63</b>  |
| <b>Trade and other receivables-related parties - net</b>                         | -                                 | -    | <b>24,542,182.94</b>          | <b>25,292,069.59</b> |

|  | Unit: Baht                        |           |                               |                     |
|--|-----------------------------------|-----------|-------------------------------|---------------------|
|  | Consolidated financial statements |           | Separate financial statements |                     |
|  | 2015                              | 2014      | 2015                          | 2014                |
| <b>Short-term loans to related parties – net</b>       |                                   |           |                               |                     |
| Phol Water Co., Ltd.                                   | -                                 | -         | 10,000,000.00                 | -                   |
| PD Genesis Engineering Co., Ltd.                       | -                                 | -         | 5,000,000.00                  | 5,000,000.00        |
| <b>Total short-term loans to related parties – net</b> | -                                 | -         | <b>15,000,000.00</b>          | <b>5,000,000.00</b> |
| <u>Less</u> Allowance for doubtful accounts            | -                                 | -         | (5,000,000.00)                | (5,000,000.00)      |
| <b>Net</b>   | -                                 | -         | <b>10,000,000.00</b>          | -                   |
| <b>Trade and other payables - related parties</b>      |                                   |           |                               |                     |
| <b>Trade payable - related party.</b>                  |                                   |           |                               |                     |
| Phol Water Co., Ltd.                                   | -                                 | -         | 16,816,203.45                 | 643,000.00          |
| <b>Total trade payable - related party</b>             | -                                 | -         | <b>16,816,203.45</b>          | <b>643,000.00</b>   |
| <b>Other payable - related party</b>                   |                                   |           |                               |                     |
| Phol Water Co., Ltd.                                   | -                                 | -         | 352,410.28                    | -                   |
| <b>Total other payable - related party</b>             | -                                 | -         | <b>352,410.28</b>             | -                   |
| <b>Trade and other payables-related parties</b>        | -                                 | -         | <b>17,168,613.73</b>          | <b>643,000.00</b>   |
| <b>Short-term loan from related person</b>             |                                   |           |                               |                     |
| Mr. Meechai Lertjaturaphat                             | -                                 | 25,194.01 | -                             | -                   |

4.3 During the year ended December 31, 2015, movements of short-term loans to related parties were as follows:

|  | Unit: Baht          |                          |                       |                      |
|--|---------------------|--------------------------|-----------------------|----------------------|
|  | January 1,<br>2015  | Movement during the year |                       | December 31,<br>2015 |
|  |                     | Increase                 | Decrease              |                      |
| <b>Short-term loans to related parties – net</b>       |                     |                          |                       |                      |
| <b>Separate financial statements</b>                   |                     |                          |                       |                      |
| <b>Subsidiaries</b>                                    |                     |                          |                       |                      |
| Phol Water Co., Ltd.                                   | -                   | 17,800,000.00            | (7,800,000.00)        | 10,000,000.00        |
| PD Genesis Engineering Co., Ltd.                       | 5,000,000.00        | -                        | -                     | 5,000,000.00         |
| <b>Total short-term loans to related parties</b>       | <b>5,000,000.00</b> | <b>17,800,000.00</b>     | <b>(7,800,000.00)</b> | <b>15,000,000.00</b> |
| <u>Less</u> Allowance for doubtful accounts            | (5,000,000.00)      | -                        | -                     | (5,000,000.00)       |
| <b>Total short-term loans to related parties – net</b> | -                   | <b>17,800,000.00</b>     | <b>(7,800,000.00)</b> | <b>10,000,000.00</b> |

4.3.1 The Company provided a short-term loan to its subsidiary company, Phol Water Co., Ltd., by issuing a promissory note, which is repayable at call and with an interest rate 5% per annum .

4.3.2 The Company provided a short-term loan to its subsidiary company, PD Genesis Engineering Co., Ltd., by issuing a promissory note, which is repayable at call and with an interest rate set at the MLR of KASIKORN BANK plus 3% per annum (10.13% - 10.25%).

The subsidiary had been in default of principal and interest since January 2012. As such, the Company provided allowance for doubtful account in the full amount of both the principal of Baht 5 million and accrued interest income during January 2012 - June 2012, of Baht 0.25 million. The Company has stopped recognising interest income since July 2012.

4.4 The transactions with related parties for the year ended December 31, 2015 and 2014, with related parties were as follows:

|  | Unit: Baht                        |      |                               |               | Transfer pricing policy                 |
|--|-----------------------------------|------|-------------------------------|---------------|---|
|  | Consolidated financial statements |      | Separate financial statements |               |   |
|  | 2015                              | 2014 | 2015                          | 2014          |   |
| <b>Subsidiaries</b>                        |                                   |      |                               |               |   |
| <b>Phol Palladium Co., Ltd.</b>            |                                   |      |                               |               |   |
| Purchase of goods                          | -                                 | -    | 103,500.00                    | -             | Cost plus margin, as Mutually agreement |
| Sale of goods                              | -                                 | -    | 44,114,569.67                 | 50,010,342.51 | Cost plus margin, as Mutually agreement |
| <b>Phol Dhanya (Cambodia) Co., Ltd.</b>    |                                   |      |                               |               |   |
| Sale of goods                              | -                                 | -    | 2,506,211.49                  | 743,766.89    | Cost plus margin 5 - 15%                |
| Return of goods                            | -                                 | -    | -                             | (184,036.59)  | Cost plus margin 5 - 15%                |
| <b>Phol Water Co., Ltd.</b>                |                                   |      |                               |               |   |
| Purchase of goods                          | -                                 | -    | 740,284.58                    | -             | Cost plus margin 15 - 30%               |
| Cost of service for water treatment system | -                                 | -    | 2,234,216.50                  | 643,000.00    | Cost plus margin 15%                    |
| Cost of construction for water project     | -                                 | -    | 47,869,905.28                 | -             | Cost plus margin 15 - 30 %              |
| Sale of goods                              | -                                 | -    | 8,674,690.04                  | 84,984.00     | Cost plus margin 5 - 15 %               |
| Commission expenses                        | -                                 | -    | 566,638.23                    | -             | Mutually agreed price                   |

#### 4.5 Compensation for key management personnel

Compensation for key management personnel for the year ended December 31, 2015 and 2014 consisted of:

|  | Unit : Baht                      |                      |                               |                      |
|--|----------------------------------|----------------------|-------------------------------|----------------------|
|  | Consolidate financial statements |                      | Separate financial statements |                      |
|  | 2015                             | 2014                 | 2015                          | 2014                 |
| Short-term benefits                                    | 18,899,753.08                    | 23,406,184.62        | 16,837,289.40                 | 20,707,828.09        |
| Post-employment benefits                               | 356,657.10                       | 807,214.79           | 356,657.10                    | 807,214.79           |
| <b>Total compensation for key management personnel</b> | <b>19,256,410.18</b>             | <b>24,213,399.41</b> | <b>17,193,946.50</b>          | <b>21,515,042.88</b> |

#### 4.6 Guarantee commitments for related parties

As at December 31, 2015, the Company has guarantee commitments for related parties were as follows:

- Letter of guarantee with a financial institution for the subsidiary, Phol Palladium Co., Ltd. under a joint credit facility with a Baht 20 million credit limit. As of this report, Baht 5.94 million of this credit facility has been used.
- Guarantee payment of finance lease for the subsidiary, Phol Water Co., Ltd., with the leasing company for a period of 48 months in amount Baht 0.55 million.

## 5. CASH AND CASH EQUIVALENTS

As at December 31, 2015 and 2014, this account consisted of:

|                                       | Unit: Baht                        |                      |                               |                      |
|---------------------------------------|-----------------------------------|----------------------|-------------------------------|----------------------|
|                                       | Consolidated financial statements |                      | Separate financial statements |                      |
|                                       | 2015                              | 2014                 | 2015                          | 2014                 |
| Cash on hand                          | 856,807.25                        | 759,340.16           | 434,617.56                    | 438,612.57           |
| Saving deposits                       | 28,456,965.16                     | 12,809,426.16        | 21,093,228.11                 | 4,167,834.12         |
| Current deposits                      | 28,794,740.81                     | 19,920,743.94        | 24,846,754.44                 | 17,148,616.55        |
| Checks received but not yet deposited | 3,125,435.07                      | 1,715,874.40         | 3,125,435.07                  | 1,715,874.40         |
| Outstanding checks                    | (2,096,959.46)                    | (3,585,162.15)       | (2,096,959.46)                | (3,585,162.15)       |
| <b>Total</b>                          | <b>59,136,988.83</b>              | <b>31,620,222.51</b> | <b>47,403,075.72</b>          | <b>19,885,775.49</b> |

## 6. TRADE AND OTHER RECEIVABLES - NET

6.1 As at December 31, 2015 and 2014, this account consisted of:

|   | Unit: Baht                        |                       |                               |                       |
|---|-----------------------------------|-----------------------|-------------------------------|-----------------------|
|   | Consolidated financial statements |                       | Separate financial statements |                       |
|   | 2015                              | 2014                  | 2015                          | 2014                  |
| <b>Trade receivables</b>                      |                                   |                       |                               |                       |
| Trade receivables - other parties             | 155,899,498.05                    | 133,212,743.00        | 136,214,025.73                | 106,474,762.85        |
| Trade receivables - related parties           | -                                 | -                     | 23,587,674.61                 | 23,817,703.96         |
| <b>Total trade receivables</b>                | <b>155,899,498.05</b>             | <b>133,212,743.00</b> | <b>159,801,700.34</b>         | <b>130,292,466.81</b> |
| <u>Less</u> Allowance for doubtful accounts   | (6,004,519.81)                    | (6,303,575.55)        | (4,033,155.44)                | (2,456,610.55)        |
| <b>Trade receivables – net</b>                | <b>149,894,978.24</b>             | <b>126,909,167.45</b> | <b>155,768,544.90</b>         | <b>127,835,856.26</b> |
| <b>Other receivables</b>                      |                                   |                       |                               |                       |
| Other receivables - related parties           | -                                 | -                     | 3,206,549.31                  | 1,600,643.72          |
| Advance payment for inventories other parties | 3,963,138.99                      | 4,606,149.50          | 3,963,138.99                  | 4,606,149.50          |
| Advance payment                               | 1,925,418.87                      | -                     | 1,925,418.87                  | -                     |
| Bid Guarantee                                 | 2,083,951.00                      | -                     | 1,864,970.00                  | -                     |
| Prepaid expenses                              | 1,015,643.31                      | 1,089,315.26          | 937,794.02                    | 1,062,073.62          |
| Prepaid maintenance system                    | -                                 | 1,698,419.42          | -                             | 1,698,419.42          |
| Prepaid expenses for Maeka project            | -                                 | 5,150,000.00          | -                             | 5,150,000.00          |

|  | Unit: Baht                        |                       |                               |                       |
|--|-----------------------------------|-----------------------|-------------------------------|-----------------------|
|  | Consolidated financial statements |                       | Separate financial statements |                       |
|  | 2015                              | 2014                  | 2015                          | 2014                  |
| Prepaid water quality analysis           | -                                 | 200,000.00            | -                             | -                     |
| Prepaid survey and analysis project      | -                                 | 620,000.00            | -                             | -                     |
| Prepaid insurance                        | 740,470.22                        | 674,468.17            | 740,470.22                    | 674,468.17            |
| Input Value Added Tax not yet due        | 2,583,210.07                      | 841,196.71            | 2,214,605.86                  | 841,196.71            |
| Deposit for customs duty                 | 567,262.15                        | 614,296.75            | 567,262.15                    | 614,296.75            |
| Withholding tax receivable               | 643,336.20                        | -                     | 170,086.10                    | -                     |
| Refundable import duty                   | 12,878,381.97                     | 9,606,717.63          | 12,878,381.97                 | 9,606,717.63          |
| Revenue department receivables           | 1,395,066.78                      | 903,898.17            | 532,540.72                    | 852,416.83            |
| <b>Others</b>                            | <b>3,974,751.84</b>               | <b>1,376,297.86</b>   | <b>3,286,841.03</b>           | <b>1,148,237.29</b>   |
| <b>Total other receivables</b>           | <b>31,770,631.40</b>              | <b>27,380,759.47</b>  | <b>32,288,059.24</b>          | <b>27,854,619.64</b>  |
| Less Allowance for doubtful accounts     | (673,377.27)                      | -                     | (799,655.36)                  | (126,278.09)          |
| <b>Other receivables – net</b>           | <b>31,097,254.13</b>              | <b>27,380,759.47</b>  | <b>31,488,403.88</b>          | <b>27,728,341.55</b>  |
| <b>Trade and other receivables – net</b> | <b>180,992,232.36</b>             | <b>154,289,926.92</b> | <b>187,256,948.78</b>         | <b>155,564,197.81</b> |

In year 2015, the Group considered to writing off prepaid expenses for the Maeka Project and other projects in the total amount of Baht 5.93 million and Baht 5.15 million in the profit or loss of consolidated and separate financial statement, respectively, as “Written off prepaid expenses” account. The Management determined that such expenses were incurred in relation to the project exploratory and design phases. At that time, as the Management believed that the Group would be engaged in such project, the Group recorded such expenses as being prepaid expenses and which were to be will be amortised to project cost when the Group is actually engaged in the project. Subsequently, a feasibility study revealed to Management that project operations would be complicated and cumbersome. As such, if the Group were to engage in a project not worth its investing, the Company should write off such expenses in the year 2015.

6.2 As at December 31, 2015 and 2014, the Group had outstanding balances of trade accounts receivable aged by number of days outstanding as follows:

|  | Unit: Baht                        |                       |                                   |                       |
|--|-----------------------------------|-----------------------|-----------------------------------|-----------------------|
|  | Consolidated financial statements |                       | Consolidated financial statements |                       |
|  | 2015                              | 2014                  | 2015                              | 2014                  |
| <b>Trade receivables - other parties</b>       |                                   |                       |                                   |                       |
| Not yet due                                    | 96,827,917.92                     | 72,860,241.29         | 91,920,644.38                     | 65,607,576.95         |
| Over due:                                      |                                   |                       |                                   |                       |
| 1-60 days                                      | 44,985,611.19                     | 47,188,870.35         | 39,299,714.92                     | 34,444,667.59         |
| 61-120 days                                    | 3,206,097.03                      | 4,858,199.73          | 1,626,896.63                      | 2,578,611.50          |
| 121-180 days                                   | 4,426,506.22                      | 1,593,006.22          | 787,430.87                        | 986,069.40            |
| Over 180 days                                  | 6,453,365.69                      | 6,712,425.41          | 2,579,338.93                      | 2,857,837.41          |
| <b>Total trade receivables - other parties</b> | <b>155,899,498.05</b>             | <b>133,212,743.00</b> | <b>136,214,025.73</b>             | <b>106,474,762.85</b> |
| Less Allowance for doubtful accounts           | (6,004,519.81)                    | (6,303,575.55)        | (1,907,392.55)                    | (2,456,610.55)        |
| <b>Trade receivables other parties – net</b>   | <b>149,894,978.24</b>             | <b>126,909,167.45</b> | <b>134,306,633.18</b>             | <b>104,018,152.30</b> |

|  | Unit: Baht                        |                       |                               |                       |
|--|-----------------------------------|-----------------------|-------------------------------|-----------------------|
|  | Consolidated financial statements |                       | Separate financial statements |                       |
|  | 2015                              | 2014                  | 2015                          | 2014                  |
| <b>Trade receivables - related parties</b>       |                                   |                       |                               |                       |
| Not yet due                                      | -                                 | -                     | 9,595,491.79                  | 19,165,956.24         |
| Over due:  |                                   |                       |                               |                       |
| 1-60 days  | -                                 | -                     | 9,149,117.39                  | 2,869,918.32          |
| 61-120 days                                      | -                                 | -                     | 246,479.10                    | 44,857.81             |
| 121-180 days                                     | -                                 | -                     | 433,760.20                    | 479,528.62            |
| Over 180 days                                    | -                                 | -                     | 4,162,826.13                  | 1,257,442.97          |
| <b>Total trade receivables - related parties</b> | -                                 | -                     | <b>23,587,674.61</b>          | <b>23,817,703.96</b>  |
| <u>Less</u> Allowance for doubtful accounts      | -                                 | -                     | (2,125,762.89)                | -                     |
| <b>Total trade receivables - related parties</b> | -                                 | -                     | <b>21,461,911.72</b>          | <b>23,817,703.96</b>  |
| <b>Total trade receivables – net</b>             | <b>149,894,978.24</b>             | <b>126,909,167.45</b> | <b>155,768,544.90</b>         | <b>127,835,856.26</b> |

## 7. CONSTRUCTION CONTRACTS

Balances of account in relation to water supply systems for villages and the water treatment system construction contracts for the year ended December 31, 2015 and 2014 comprised:

|  | Unit: Baht                        |      |                               |      |
|--|-----------------------------------|------|-------------------------------|------|
|  | Consolidated financial statements |      | Separate financial statements |      |
|  | 2015                              | 2014 | 2015                          | 2014 |
| <b>Unbilled receivables</b>  |                                   |      |                               |      |
| Project value as per contract  | 65,996,748.57                     | -    | 60,481,384.08                 | -    |
| Accumulated amount recognized as revenue on percentage of completion basis | 58,094,177.54                     | -    | 53,600,122.40                 | -    |
| <u>Less</u> Value of total billed  | (37,307,781.77)                   | -    | (35,089,947.63)               | -    |
| <b>Unbilled receivables</b>  | <b>20,786,395.77</b>              | -    | <b>18,510,174.77</b>          | -    |
| <b>Accrued construction costs</b>  |                                   |      |                               |      |
| Estimated construction project costs                                       | 48,414,414.97                     | -    | 57,100,673.50                 | -    |
| Calculated cost of construction under percentage of completion             | <b>42,922,781.41</b>              | -    | <b>50,626,199.05</b>          | -    |
| <u>Less</u> Incurred construction costs                                    | (47,203,562.28)                   | -    | (52,058,466.13)               | -    |
| <b>Construction contracts in progress</b>                                  | <b>4,280,780.87</b>               | -    | <b>(1,432,267.08)</b>         | -    |

As at December 31, 2015, the Company had rendered advance payments to sub-contractors for the several contracts which have not yet been started as presented in consolidated and separate financial statement in the amount of Baht 18.25 million.

## 8. INVENTORIES - NET

As at December 31, 2015 and 2014, this account consisted of:

|   | Unit: Baht                        |                       |                               |                       |
|---|-----------------------------------|-----------------------|-------------------------------|-----------------------|
|   | Consolidated financial statements |                       | Separate financial statements |                       |
|   | 2015                              | 2014                  | 2015                          | 2014                  |
| Finished goods  | 206,425,061.90                    | 191,707,569.43        | 199,899,898.32                | 188,922,380.47        |
| Goods in transit                                      | 26,824,499.77                     | 33,032,642.35         | 25,836,136.81                 | 33,032,642.35         |
| Consignment goods                                     | 322,847.48                        | 14,145.01             | 322,847.48                    | -                     |
| Construction contracts in progress                    | 4,280,780.87                      | 342,528.58            | 1,432,267.08                  | 342,528.58            |
| Raw materials   | -                                 | 33,174.42             | -                             | -                     |
| <b>Total</b>  | <b>237,853,190.02</b>             | <b>225,130,059.79</b> | <b>227,491,149.69</b>         | <b>222,297,551.40</b> |
| Less Allowance for diminution in value of inventories | (10,348,507.00)                   | (9,251,541.17)        | (10,348,507.00)               | (9,251,541.17)        |
| <b>Inventories – net</b>                              | <b>227,504,683.02</b>             | <b>215,878,518.62</b> | <b>217,142,642.69</b>         | <b>213,046,010.23</b> |

Movements of allowance for diminution in value of inventory for the year ended December 31, 2015 and 2014, are as follows:

|                                   | Unit: Baht                                     |                     |
|-----------------------------------|--|---------------------|
|                                   | Consolidated and separate financial statements |                     |
|                                   | 2015   | 2014                |
| <b>Balance as at January 1,</b>   | <b>9,251,541.17</b>                            | <b>8,139,410.18</b> |
| Increase during the year          | 5,455,599.27                                   | 5,164,546.59        |
| Reversal                          | (4,358,633.44)                                 | (4,052,415.60)      |
| <b>Balance as at December 31,</b> | <b>10,348,507.00</b>                           | <b>9,251,541.17</b> |

## 9. INVESTMENT IN SUBSIDIARY COMPANIES - NET

As at December 31, 2015 and 2014, this account consisted of:

| Company                          | Unit: Baht                    |       |               |                          |            |               |                          |            |
|----------------------------------|-------------------------------|-------|---------------|--------------------------|------------|---------------|--------------------------|------------|
|                                  | Separate financial statements |       |               |                          |            |               |                          |            |
|                                  | Share Holding %               |       | 2015          |                          |            | 2014          |                          |            |
|                                  | 2015                          | 2014  | Amount        | Allowance for impairment | Net        | Amount        | Allowance for impairment | Net        |
| PD Genesis Engineering Co., Ltd. | 76.67                         | 76.67 | 11,500,000.00 | (11,500,000.00)          | -          | 11,500,000.00 | (11,500,000.00)          | -          |
| Phol Palladium Co., Ltd.         | 99.99                         | 99.99 | 999,970.00    | -                        | 999,970.00 | 999,970.00    | -                        | 999,970.00 |

Unit: Baht

| Separate financial statements    |                 |       |                      |                          |                      |                      |                          |                      |
|----------------------------------|-----------------|-------|----------------------|--------------------------|----------------------|----------------------|--------------------------|----------------------|
| Company                          | Share Holding % |       | 2015                 |                          |                      | 2014                 |                          |                      |
|                                  | 2014            | 2015  | Amount               | Allowance for impairment | Net                  | Amount               | Allowance for impairment | Net                  |
| Phol Dhanya (Cambodia) Co., Ltd. | 100.00          | 70.00 | 6,770,686.00         | (6,770,686.00)           | -                    | 6,770,685.00         | (3,385,000.00)           | 3,385,685.00         |
| Phol Water Co., Ltd.             | 99.99           | 99.99 | 9,999,970.00         | -                        | 9,999,970.00         | 9,999,970.00         | -                        | 9,999,970.00         |
| <b>Total</b>                     |                 |       | <b>29,270,626.00</b> | <b>(18,270,686.00)</b>   | <b>10,999,940.00</b> | <b>29,270,625.00</b> | <b>(14,885,000.00)</b>   | <b>14,385,625.00</b> |

Phol Water Co., Ltd.

Board of Directors' Meeting No.3/2014, held on February 27, 2014, approved to incorporate the subsidiary, Phol Water Co., Ltd. to engage in the production and distribution of water supply in the form of concessions, to both government and private sector with an authorized share capital of Baht 10 million (1,000,000 shares at Baht 10 each). The subsidiary registered with the Ministry of Commerce on March 17, 2014 and the Company held 99.99% of its share capital at the price of Baht 10 per share, a total investment of Baht 9.99 million.

Phol Dhanya (Cambodia) Co., Ltd.

Board of Directors' Meeting No.7/2013, held on July 10, 2013, approved incorporation of a subsidiary in Cambodia, Phol Dhanya (Cambodia) Company Limited, will engage in water treatment equipment and systems for the consumer and concessions for water supply to Cambodia's consumer public. The Company held 70% (total investment approximately Baht 6.77 million) of its subsidiary's authorized share capital in the amount of KHR 1.2 billion (total amounts approximating Baht 9.50 million or US Dollar 0.3 million). Such subsidiary was registered with Ministry of Commerce of Cambodia on September 5, 2013 with its share capital fully called up. As at December 31, 2013, the company partly paid for its portion in the amount of US Dollars 0.10 million (approximately Baht 3.17 million). Subsequently, during the nine-month periods ended September 30, 2014, the Company paid the remaining balance in full.

Board of Directors' Meeting No.9/2015, held on December 14, 2015, approved acquired common shares of Phol Dhanya (Cambodia) Company Limited total 9,000 shares ration of 30% of paid-up capital of register from the Partner in the total amount of Baht 1. As a result, the Company has shareholding proportion in Phol Dhanya (Cambodia) Co., Ltd. from 70% to 100%.

As at December 31, 2015 the Company's management considered providing additional allowance for loss on impairment of investment in the subsidiary company, Phol Dhanya (Cambodia) Company Limited because Phol Dhanya (Cambodia) Company Limited was operating at a loss. The Company provided allowance for loss on impairment in such subsidiary in the full amount.

## 10. OTHER LONG-TERM INVESTMENT - NET

As at December 31, 2015 and 2014, this account consisted of:

Unit: Baht

|                               | Share Holding % | Consolidated and separate financial statements |                |
|-------------------------------|-----------------|--|----------------|
|                               |                 | 2015   | 2014           |
| N&P Holding Company Limited   |                 |  |                |
| Cost                          | 2               | 1,000,000.00                                   | 1,000,000.00   |
| Less Allowance for impairment |                 | (1,000,000.00)                                 | (1,000,000.00) |
| <b>Net</b>                    |                 | <b>-</b>                                       | <b>-</b>       |

## 11. LONG-TERM LOAN TO EMPLOYEES - NET

Long-term loan to employees represent loan agreements for employees' welfare, the interest rate is at 10% per annum.

## 12. INVESTMENT PROPERTIES - NET

As at December 31, 2015 and 2014, this account consisted of:

|  |                                    |                          |          | Unit: Baht                         |
|--|------------------------------------|--------------------------|----------|------------------------------------|
| Consolidated and separate financial statements |                                    |                          |          |                                    |
|  | Balance as at<br>December 31, 2014 | Movement during the year |          | Balance as at<br>December 31, 2015 |
|  |                                    | Increase                 | Decrease |                                    |
| <b>Cost</b>                                    |                                    |                          |          |                                    |
| Land   | 1,370,160.00                       | -                        | -        | 1,370,160.00                       |
| Building and improvement                       | 23,061,322.48                      | -                        | -        | 23,061,322.48                      |
| <b>Total Cost</b>                              | <b>24,431,482.48</b>               | <b>-</b>                 | <b>-</b> | <b>24,431,482.48</b>               |
| <b>Accumulated depreciation</b>                |                                    |                          |          |                                    |
| Building and improvement                       | 16,253,532.04                      | 477,675.95               | -        | 16,731,207.99                      |
| <b>Total Accumulated depreciation</b>          | <b>16,253,532.04</b>               | <b>477,675.95</b>        | <b>-</b> | <b>16,731,207.99</b>               |
| <b>Net book value</b>                          | <b>8,177,950.44</b>                |                          |          | <b>7,700,274.49</b>                |

The Company has appraised its investment properties and leasehold right on 4 locations as follows:

|                |                       |                 |             |                 |                                   |                         | Unit: Million Baht |
|----------------|-----------------------|-----------------|-------------|-----------------|-----------------------------------|-------------------------|--------------------|
| Net book value |                       |                 |             |                 |                                   |                         |                    |
| Location       | Investment properties | Leasehold right | Total       | Appraisal value | Independent appraisers            | Appraisal reports dated |                    |
| 1              | 3.04                  | -               | 3.04        | 5.00            | Noble Property Valuation Co., Ltd | October 31, 2014        |                    |
| 2              | 2.47                  | -               | 2.47        | 5.00            | Phet Siam Appraisal Co., Ltd.     | February 6, 2012        |                    |
| 3              | 1.88                  | -               | 1.88        | 6.38            | Noble Property Valuation Co., Ltd | October 28, 2014        |                    |
| 4              | 0.31                  | 2.15            | 2.46        | 3.94            | Noble Property Valuation Co., Ltd | October 28, 2014        |                    |
|                | <b>7.70</b>           | <b>2.15</b>     | <b>9.85</b> |                 |                                   |                         |                    |

The appraisal value of investment property no.4 in the amount of Baht 3.94 million has been appraised by inclusive of leasehold right as described in Note 14 which has net book value of Baht 2.15 million.

The appraisal prices have been appraised by using Market Comparison Approach for investment properties no. 1-3 and income approach for investment property no. 4.

The fair value measurement for investment property has been categorised as a Level 2 fair value based on the inputs to the valuation technique used.

Depreciations for the year ended December 31, 2015 and 2014, have been charged to profit or loss of consolidated and separate financial statements amounted to Baht 0.48 million.

As at December 31, 2015 and 2014, certain investment property items have been fully depreciated but are still in use. The original cost of those assets of consolidated financial statements and separate financial statements are Baht 0.54 million.

As at December 31, 2015 and 2014, investment property, at net book value of Baht 7.39 million and Baht 7.81 million, respectively, has been mortgaged to secure its short-term loan and long-term loan with 2 financial institutions.

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

As at December 31, 2015 and 2014, this account consisted of:

|                                       | Consolidated financial statements     |                      |                       |              |  | Unit: Baht                            |
|---------------------------------------|---------------------------------------|----------------------|-----------------------|--------------|--|---------------------------------------|
|                                       | Movement during the year              |                      |                       |              |  |                                       |
|                                       | Balance as at<br>December 31,<br>2014 | Increase             | Decrease              | Reclassify   | Exchange<br>differences<br>on translating<br>financial<br>statements | Balance as at<br>December 31,<br>2015 |
| <b>Cost</b>                           |                                       |                      |                       |              |  |                                       |
| Land                                  | 32,384,486.00                         | -                    | -                     | -            | -  | 32,384,486.00                         |
| Building and improvement              | 99,733,499.11                         | 2,488,610.24         | (143,264.59)          | -            | 137,803.98   | 102,216,648.74                        |
| Furniture and equipment               | 22,531,253.30                         | 1,268,216.23         | (51,921.07)           | (360,000.00) | 62,749.21  | 23,450,297.67                         |
| Tools                                 | 77,046.23                             | 203,032.99           | -                     | -            | -  | 280,079.22                            |
| Demonstration goods                   | 18,010,975.62                         | 1,046,985.67         | -                     | 360,000.00   | -  | 19,417,961.29                         |
| Vehicles                              | 15,164,758.16                         | 5,758,252.32         | (4,350,691.59)        | -            | 38,204.25  | 16,610,523.14                         |
| Utility system                        | 14,760,944.48                         | 132,443.66           | -                     | -            | -  | 14,893,388.14                         |
| Assets under water sales<br>agreement | 6,562,129.80                          | 14,850.00            | -                     | -            | -  | 6,576,979.80                          |
| Safety equipment for rent             | -                                     | 14,969,795.75        | -                     | -            | -  | 14,969,795.75                         |
| <b>Total Cost</b>                     | <b>209,225,092.70</b>                 | <b>25,882,186.86</b> | <b>(4,545,877.25)</b> | <b>-</b>     | <b>238,757.44</b>  | <b>230,800,159.75</b>                 |
| <b>Accumulated depreciation</b>       |                                       |                      |                       |              |  |                                       |
| Building and improvement              | 28,422,991.18                         | 3,671,411.63         | (75,437.82)           | -            | 50,168.36  | 32,069,133.35                         |
| Furniture and equipment               | 17,400,950.22                         | 1,906,493.98         | (49,031.06)           | (1,775.34)   | 20,442.51  | 19,277,080.31                         |
| Tools                                 | 21,623.89                             | 457,616.09           | -                     | -            | -  | 479,239.98                            |
| Demonstration goods                   | 11,833,974.69                         | 1,200,443.02         | -                     | 1,775.34     | -  | 13,036,193.05                         |
| Vehicles                              | 9,316,406.21                          | 1,007,138.23         | (2,841,504.39)        | -            | 14,191.01  | 7,496,231.06                          |
| Utility system                        | 8,588,852.56                          | 1,496,355.32         | -                     | -            | -  | 10,085,207.88                         |
| Assets under water sales<br>agreement | 4,470,162.09                          | 1,962,861.00         | -                     | -            | -  | 6,433,023.09                          |
| Safety equipment for rent             | -                                     | 1,231,682.55         | -                     | -            | -  | 1,231,682.55                          |
| <b>Total Accumulated depreciation</b> | <b>80,054,960.84</b>                  | <b>12,934,001.82</b> | <b>(2,965,973.27)</b> | <b>-</b>     | <b>84,801.88</b>   | <b>90,107,791.27</b>                  |
| <b>Net book value</b>                 | <b>129,170,131.86</b>                 |                      |                       |              |  | <b>140,692,368.48</b>                 |

Unit: Baht

|                          | Separate financial statements         |              |              |              |                                       |
|--------------------------|---------------------------------------|--------------|--------------|--------------|---------------------------------------|
|                          | Movement during the year              |              |              |              |                                       |
|                          | Balance as at<br>December 31,<br>2014 | Increase     | Decrease     | Reclassify   | Balance as at<br>December 31,<br>2015 |
| <b>Cost</b>              |                                       |              |              |              |                                       |
| Land                     | 32,384,486.00                         | -            | -            | -            | 32,384,486.00                         |
| Building and improvement | 98,227,748.34                         | 1,970,662.24 | (137,100.00) | -            | 100,061,310.58                        |
| Furniture and equipment  | 21,826,774.87                         | 1,133,483.65 | (51,921.07)  | (360,000.00) | 22,548,337.45                         |

Unit: Baht

|                                       | Separate financial statements         |                          |                       |              | Balance as at<br>December 31,<br>2015 |
|---------------------------------------|---------------------------------------|--------------------------|-----------------------|--------------|---------------------------------------|
|                                       | Balance as at<br>December 31,<br>2014 | Movement during the year |                       |              |                                       |
|                                       |                                       | Increase                 | Increase              | Reclassify   |                                       |
| Demonstration goods                   | 17,975,508.81                         | 1,235,925.20             | -                     | 360,000.00   | 19,571,434.01                         |
| Vehicles                              | 14,747,309.53                         | 5,233,018.68             | (4,350,691.59)        | -            | 15,629,636.62                         |
| Utility system                        | 14,760,944.48                         | 6,252.34                 | -                     | -            | 14,767,196.82                         |
| Assets under water sales<br>agreement | 9,869,352.50                          | 14,850.00                | -                     | -            | 9,884,202.50                          |
| Safety equipment for rent             | -                                     | 14,969,795.75            | -                     | -            | 14,969,795.75                         |
| <b>Total Cost</b>                     | <b>209,792,124.53</b>                 | <b>24,563,987.86</b>     | <b>(4,539,712.66)</b> | <b>-</b>     | <b>229,816,399.73</b>                 |
| <b>Accumulated depreciation</b>       |                                       |                          |                       |              |                                       |
| Building and improvement              | 28,058,041.83                         | 3,242,154.11             | (75,437.82)           | -            | 31,224,758.12                         |
| Furniture and equipment               | 17,258,222.83                         | 1,742,925.11             | (49,031.06)           | (1,775.34)   | 18,950,341.54                         |
| Demonstration goods                   | 12,081,878.19                         | 1,734,643.98             | -                     | (3,000.96)   | 13,813,521.21                         |
| Vehicles                              | 9,216,911.27                          | 903,198.18               | (2,841,504.39)        | 337,053.09   | 7,615,658.15                          |
| Utility system                        | 8,598,393.73                          | 1,467,201.72             | -                     | (332,276.79) | 9,733,318.66                          |
| Assets under water sales<br>agreement | 5,537,949.07                          | 2,541,299.88             | -                     | -            | 8,079,248.95                          |
| Safety equipment for rent             | -                                     | 1,231,682.55             | -                     | -            | 1,231,682.55                          |
| <b>Total Accumulated depreciation</b> | <b>80,751,396.92</b>                  | <b>12,863,105.53</b>     | <b>(2,965,973.27)</b> | <b>-</b>     | <b>90,648,529.18</b>                  |
| <b>Net book value</b>                 | <b>129,040,727.61</b>                 |                          |                       |              | <b>139,167,870.55</b>                 |

Depreciations for the year ended December 31, 2015 and 2014, have been charged to profit or loss of consolidated financial statements amounted to Baht 13.59 million and Baht 11.53 million, respectively, and have been charged to profit or loss of separate financial statements amounted to Baht 12.86 million and Baht 11.01 million, respectively.

As at December 31, 2015 and 2014, land, including buildings and structure thereon at net book value of Baht 91.25 million and Baht 92.54 million respectively, has been mortgaged to secure its short-term loan and long-term loan with a financial institution.

As at December 31, 2015 and 2014, certain plant and equipment items have been fully depreciated but are still in use. The original cost of those assets are Baht 26.91 million and Baht 25.59 million, respectively.

Leased assets included above are motor vehicle where the Group and the Company are the lessee under finance lease contract as at December 31, 2015 and 2014 as follows:

|                                   | Unit : Baht                      |                   |                               |                   |
|-----------------------------------|----------------------------------|-------------------|-------------------------------|-------------------|
|                                   | Consolidate financial statements |                   | Separate financial statements |                   |
|                                   | 2015                             | 2014              | 2015                          | 2014              |
| Cost - capitalised finance leases | 6,252,232.32                     | 493,980.00        | 493,980.00                    | 493,980.00        |
| Less Accumulated depreciation     | (404,202.64)                     | (24,902.00)       | (24,902.00)                   | (24,902.00)       |
| <b>Net book value</b>             | <b>5,848,029.68</b>              | <b>469,078.00</b> | <b>469,078.00</b>             | <b>469,078.00</b> |

## 14. LEASEHOLD RIGHT - NET

As at December 31, 2015 and 2014, this account consisted of:

|                                   |                                       |              |          | Unit: Baht                            |
|-----------------------------------|---------------------------------------|--------------|----------|---------------------------------------|
| Consolidated financial statements |                                       |              |          |                                       |
| Movement during the year          |                                       |              |          |                                       |
|                                   | Balance as at<br>December 31,<br>2014 | Increase     | Decrease | Balance as at<br>December 31,<br>2015 |
| Cost                              | 5,600,000.00                          | 450,000.00   | -        | 6,050,000.00                          |
| Amortization                      | (3,225,030.24)                        | (350,315.46) | -        | (3,575,345.70)                        |
| <b>Net</b>                        | <b>2,374,969.76</b>                   |              |          | <b>2,474,654.30</b>                   |

|                               |                                       |              |          | Unit: Baht                            |
|-------------------------------|---------------------------------------|--------------|----------|---------------------------------------|
| Separate financial statements |                                       |              |          |                                       |
| Movement during the year      |                                       |              |          |                                       |
|                               | Balance as at<br>December 31,<br>2014 | Increase     | Decrease | Balance as at<br>December 31,<br>2015 |
| Cost                          | 5,600,000.00                          | -            | -        | 5,600,000.00                          |
| Amortization                  | (3,225,030.24)                        | (225,315.46) | -        | (3,450,345.70)                        |
| <b>Net</b>                    | <b>2,374,969.76</b>                   |              |          | <b>2,149,654.30</b>                   |

Amortization for the year ended December 31, 2015 and 2014, have been charged to profit or loss of consolidated amounted to Baht 0.35 million and Baht 0.23 million, respectively, and have been charged to profit or loss of separate financial statements amounted to Baht 0.23 million.

## 15. INTANGIBLE ASSETS - NET

As at December 31, 2015 and 2014, this account consisted of:

|                                   |                                       |              |          | Unit: Baht                            |
|-----------------------------------|---------------------------------------|--------------|----------|---------------------------------------|
| Consolidated financial statements |                                       |              |          |                                       |
| Movement during the year          |                                       |              |          |                                       |
|                                   | Balance as at<br>December 31,<br>2014 | Increase     | Decrease | Balance as at<br>December<br>31, 2015 |
| Cost                              | 10,618,662.40                         | 873,875.35   | -        | 11,492,537.75                         |
| Amortization                      | (9,218,641.47)                        | (713,971.14) | -        | (9,932,612.61)                        |
| <b>Net</b>                        | <b>1,400,020.93</b>                   |              |          | <b>1,559,925.14</b>                   |

|              | Separate financial statements         |              |          | Unit: Baht                            |
|--------------|---------------------------------------|--------------|----------|---------------------------------------|
|              | Movement during the year              |              |          |                                       |
|              | Balance as at<br>December 31,<br>2014 | Increase     | Decrease | Balance as at<br>December 31,<br>2015 |
| Cost         | 10,618,662.40                         | 626,335.35   | -        | 11,244,997.75                         |
| Amortization | (9,218,641.47)                        | (694,032.39) | -        | (9,912,673.86)                        |
| <b>Net</b>   | <b>1,400,020.93</b>                   |              |          | <b>1,332,323.89</b>                   |

Amortization for the year ended December 31, 2015 and 2014, has been charged to profit or loss of consolidated financial statements amounting to Baht 0.71 million and Baht 0.91 million, respectively and charged to profit or loss of separate financial statement amounted to Baht 0.69 million and Baht 0.91 million, respectively.

As at December 31, 2015 and 2014, certain intangible assets items have been fully depreciated but are still in use. The original cost of those assets of consolidated financial statements and separate financial statements are Baht 8.95 million and Baht 6.36 million, respectively.

## 16. DEFERRED TAX

Deferred tax as at December 31, 2015 and 2014 were consisted of:

|                                 | Unit: Baht                        |              |                               |              |
|---------------------------------|-----------------------------------|--------------|-------------------------------|--------------|
|                                 | Consolidated financial statements |              | Separate financial statements |              |
|                                 | 2015                              | 2014         | 2015                          | 2014         |
| Deferred tax assets             | 6,118,782.82                      | 5,172,209.70 | 5,844,875.56                  | 5,071,165.84 |
| <u>Deferred tax liabilities</u> | -                                 | -            | -                             | -            |

Movements in deferred tax assets during year ended December 31, 2015 and 2014 were as follows:

|   | Unit: Baht                        |                   |                               |                               |                   |                               |
|---|-----------------------------------|-------------------|-------------------------------|-------------------------------|-------------------|-------------------------------|
|   | Consolidated financial statements |                   |                               | Separate financial statements |                   |                               |
|   | As at<br>January 1,<br>2015       | Profit<br>(loss)  | As at<br>December 31,<br>2015 | As at<br>January 1,<br>2015   | Profit<br>(loss)  | As at<br>December 31,<br>2015 |
| <b>Deferred tax assets</b>                |                                   |                   |                               |                               |                   |                               |
| Allowance for doubtful accounts           | 491,322.11                        | (59,811.15)       | 431,510.96                    | 491,322.11                    | (109,843.60)      | 381,478.51                    |
| Allowance for devaluation of inventories  | 1,850,308.25                      | 354,068.60        | 2,204,376.85                  | 1,850,308.25                  | 354,068.60        | 2,204,376.85                  |
| Depreciation of safety equipment for rent | -                                 | 94,058.38         | 94,058.38                     | -                             | 94,058.38         | 94,058.38                     |
| <b>Employee benefit obligations</b>       | <b>2,830,579.34</b>               | <b>558,256.65</b> | <b>3,388,835.99</b>           | <b>2,729,535.48</b>           | <b>435,426.34</b> | <b>3,164,961.82</b>           |
| <b>Total</b>                              | <b>5,172,209.70</b>               | <b>946,572.48</b> | <b>6,118,782.18</b>           | <b>5,071,165.84</b>           | <b>773,709.72</b> | <b>5,844,875.56</b>           |

|  | Unit: Baht                        |                   |                               |                               |                   |                               |
|--|-----------------------------------|-------------------|-------------------------------|-------------------------------|-------------------|-------------------------------|
|  | Consolidated financial statements |                   |                               | Separate financial statements |                   |                               |
|  | As at<br>January 1,<br>2014       | Profit<br>(loss)  | As at<br>December 31,<br>2014 | As at<br>January 1,<br>2014   | Profit<br>(loss)  | As at<br>December 31,<br>2014 |
| <b>Deferred tax assets</b>               |                                   |                   |                               |                               |                   |                               |
| Allowance for doubtful accounts          | 494,660.51                        | (3,338.40)        | 491,322.11                    | 494,660.51                    | (3,338.40)        | 491,322.11                    |
| Allowance for devaluation of Inventories | 1,627,882.04                      | 222,426.21        | 1,850,308.25                  | 1,627,882.04                  | 222,426.21        | 1,850,308.25                  |
| Allowance for impairment of assets       | -                                 | -                 | -                             | 242,686.46                    | (242,686.46)      | -                             |
| <b>Employee benefit obligations</b>      | 2,176,457.60                      | 654,121.74        | 2,830,579.34                  | 2,176,457.60                  | 553,077.88        | 2,729,535.48                  |
| <b>Total</b>                             | <b>4,299,000.15</b>               | <b>873,209.55</b> | <b>5,172,209.70</b>           | <b>4,541,686.61</b>           | <b>529,479.23</b> | <b>5,071,165.84</b>           |

## 17. BANK OVERDRAFTS AND SHORT-TERM LOANS FROM FINANCIAL INSTITUTIONS

As at December 31, 2015 and 2014, this account consisted of:

|                                   | Unit: Baht                                     |                      |
|-----------------------------------|--|----------------------|
|                                   | Consolidated and separate financial statements |                      |
|                                   | 2015   | 2014                 |
| <b>Bill of exchange</b>           | 100,000,000.00                                 | -                    |
| Less discount                     | (874,689.76)                                   | -                    |
| Bill of exchange – net            | 99,125,310.24                                  | -                    |
| Short-term loan - Promissory note | 40,000,000.00                                  | -                    |
| Short-term loan - Trust receipt   | -  | 40,949,651.27        |
| <b>Total</b>                      | <b>139,125,310.24</b>                          | <b>40,949,651.27</b> |

On December 1, 2015, the Company issued unsecured bills of exchange to a financial institution, totaling Baht 100 million, bearing interest at the rate of 3.55% per annum. The maturity date is April 1, 2016. The Company used the proceeds from this issuance for working capital required for water supply systems for village projects.

During the year ended December 31, 2015 and 2014, the interest rate of bank overdrafts and short-term loans from financial institutions, were as follows:

|   | Interest rate per annum                                  |                                    |
|---|--|------------------------------------|
|   | 2015   | 2014                               |
| Bank overdrafts<br>(Year 2015 with two commercial banks and three local commercial banks for 2014, respectively.)                 | MOR to MOR+0.5<br>(7.37% to 8.00%)                       | MOR to MOR+0.5<br>(7.38% to 7.88%) |
| Short-term loan - Promissory note<br>(Year 2015 with two commercial banks and one local commercial banks for 2014, respectively.) | Interest rate of a bank announcement<br>(3.70% to 3.75%) | MLR-1.50<br>(5.25%)                |

|   | Unit: Baht  |                                   |
|---|---|-----------------------------------|
|   | 2015  | 2014                              |
| Short-term loan – Bill of exchange<br>(Year 2015 with a local commercial bank.)   | Discount rate 3.55%   | -                                 |
| Short-term loan - Trust receipt<br>(Year 2015 with two commercial banks and three local commercial banks for 2014, respectively.) | Interest rate of a bank announcement<br>and MRR<br>(2.34% to 4.85%) | MMR and MLR-1<br>(4.28% to 5.10%) |

The Company has mortgaged its land, including buildings and structure thereon to secure its bank overdraft and other credit facilities with financial institutions. (Excluding Bills of exchange)

## 18. TRADE AND OTHER PAYABLES

As at December 31, 2015 and 2014, this account consisted of:

|   | Unit: Baht                        |                       |                               |                       |
|---|-----------------------------------|-----------------------|-------------------------------|-----------------------|
|   | Consolidated financial statements |                       | Separate financial statements |                       |
|   | 2015                              | 2014                  | 2015                          | 2014                  |
| <b>Trade payables</b>                       |                                   |                       |                               |                       |
| Trade payables-other parties                |                                   |                       |                               |                       |
| - Domestic                                  | 24,540,442.80                     | 20,608,242.45         | 21,952,883.93                 | 19,271,157.56         |
| - Foreign                                   | 87,676,185.54                     | 105,489,394.44        | 85,226,176.83                 | 103,039,385.73        |
| Trade payable - related parties             | -                                 | -                     | 16,816,203.45                 | 643,000.00            |
| <b>Total trade payables</b>                 | <b>112,216,628.34</b>             | <b>126,097,636.89</b> | <b>123,995,264.21</b>         | <b>122,953,543.29</b> |
| <b>Other payables</b>                       |                                   |                       |                               |                       |
| Account payable for purchase of fixed asset | 15,275,587.50                     | -                     | 15,275,587.50                 | -                     |
| Value added tax and withholding tax payable | 3,571,483.79                      | 597,306.75            | 1,812,237.85                  | 387,692.09            |
| Accrued commission expenses                 | 6,349,547.76                      | 3,536,336.77          | 4,990,949.72                  | 3,035,744.92          |
| Accrued bonus expenses                      | 6,194,803.00                      | 9,181,254.18          | 5,490,185.00                  | 8,380,350.00          |
| Management remuneration                     | 1,930,000.00                      | 2,560,000.00          | 1,930,000.00                  | 2,560,000.00          |
| Money received in advance from customer     | 1,722,151.44                      | 2,118,274.52          | 408,031.44                    | 2,098,024.52          |
| Unearned rental and service revenue         | 10,100,051.10                     | -                     | 10,100,051.10                 | -                     |
| Accrued import expenses                     | 1,468,666.62                      | 986,130.91            | 1,468,666.62                  | 986,130.91            |
| Penalty for delayed goods delivery          | -                                 | 848,191.00            | -                             | 929,249.92            |
| Accrued expenses for sub-contracts          | 6,680,721.37                      | -                     | 652,800.00                    | -                     |
| Accrued expenses                            | 5,454,175.28                      | 4,359,322.83          | 4,073,700.53                  | 3,583,645.43          |
| Others                                      | 908,588.59                        | 1,433,137.42          | 476,716.78                    | 868,513.64            |
| Other payable - related party               | -                                 | -                     | 352,410.28                    | -                     |
| <b>Total other payables</b>                 | <b>59,655,776.45</b>              | <b>25,619,954.38</b>  | <b>47,031,336.82</b>          | <b>22,829,351.43</b>  |
| <b>Total trade and other payables</b>       | <b>171,872,404.79</b>             | <b>151,717,591.27</b> | <b>171,026,601.03</b>         | <b>145,782,894.72</b> |

## 19. LONG-TERM LIABILITIES UNDER FINANCE LEASE - NET

As at December, 2015 and December 31 2014, this account consisted of:

|   | Unit: Baht                        |                   |                               |                   |
|---|-----------------------------------|-------------------|-------------------------------|-------------------|
|   | Consolidated financial statements |                   | Separate financial statements |                   |
|   | 2558                              | 2557              | 2558                          | 2557              |
| <b>Liabilities under finance lease</b>                  |                                   |                   |                               |                   |
| - Within 1 year   | 1,289,427.72                      | 105,711.72        | 1,151,343.72                  | 105,711.72        |
| - Over 1 year but not over 5 years                      | 3,941,378.54                      | 405,228.26        | 3,550,140.54                  | 405,228.26        |
| Less Deferred interest expenses                         | (556,966.87)                      | -                 | (516,893.96)                  | -                 |
| Present value of liabilities under finance lease        | 4,673,839.39                      | 510,939.98        | 4,184,590.30                  | 510,939.98        |
| Less Current portion of liabilities under finance lease | (1,065,944.88)                    | (105,711.72)      | (945,561.06)                  | (105,711.72)      |
| <b>Net</b>  | <b>3,607,894.51</b>               | <b>405,228.26</b> | <b>3,239,029.24</b>           | <b>405,228.26</b> |

Liabilities under finance lease of subsidiaries were guaranteed payment by the Company.

## 20. LONG-TERM LOANS FROM FINANCIAL INSTITUTIONS - NET

As at December 31, 2015 and 2014, this account consisted of:

|   | Unit: Baht                                     |                      |
|---|--|----------------------|
|   | Consolidated and separate financial statements |                      |
|   | 2015   | 2014                 |
| <b>Long-term loans from financial institutions as at January 1,</b> | 16,000,000.00                                  | 30,000,000.00        |
| Addition  | -  | -                    |
| Repayment   | (6,000,000.00)                                 | (14,000,000.00)      |
| Less Current portion of long-term loans                             | (6,000,000.00)                                 | (6,000,000.00)       |
| <b>Net</b>  | <b>4,000,000.00</b>                            | <b>10,000,000.00</b> |

On July 18, 2012, the Company entered into the long-term loan agreement facilities of Baht 30 million with the local commercial bank. The Company has the commitment to repay the principal for 60 monthly installments in the amount of Baht 0.5 million each month. The first principal installment was September 2012, and interest rates are 3% per annum, the first interest installment was August 2012.

The Company has mortgaged its land, including buildings and structure thereon to secure its long-term loan facilities with financial institutions.

## 21. EMPLOYEE BENEFIT OBLIGATIONS

Employee benefits liabilities in the statements of financial position as at December 31, 2015 and 2014, consisted of:

|  | Unit: Baht                        |                      |                               |                      |
|--|-----------------------------------|----------------------|-------------------------------|----------------------|
|  | Consolidated financial statements |                      | Separate financial statements |                      |
|  | 2015                              | 2014                 | 2015                          | 2014                 |
| <u>Post-employment benefit plan</u>        |                                   |                      |                               |                      |
| Present value of obligation                | 16,944,179.99                     | 14,411,848.89        | 15,824,809.12                 | 13,647,677.42        |
| Unrecognized actuarial gains (losses)      | -                                 | -                    | -                             | -                    |
| Unrecognized past service costs            | -                                 | -                    | -                             | -                    |
| <b>Employee benefits liabilities – net</b> | <b>16,944,179.99</b>              | <b>14,411,848.89</b> | <b>15,824,809.12</b>          | <b>13,647,677.42</b> |

The Group provided defined benefit plan in accordance with severance payment as the labor law which entitled retired employee within work service period in various rates, such as more than 10 years to receive severance payment not less than 300 days or 10 months of the last month salary.

Movement of the present value of employee benefits obligation for the year ended December 31, 2015 and 2014, as follows:

|   | Unit: Baht                        |                      |                               |                      |
|---|-----------------------------------|----------------------|-------------------------------|----------------------|
|   | Consolidated financial statements |                      | Separate financial statements |                      |
|   | 2015                              | 2014                 | 2015                          | 2014                 |
| <u>Post-employment benefit plan</u>                       |                                   |                      |                               |                      |
| Employee benefit obligation<br>as at January 1,           | 14,411,848.89                     | 11,089,786.75        | 13,647,677.42                 | 10,882,287.98        |
| Benefits paid   | -                                 | -                    | -                             | -                    |
| Current service cost                                      | 2,158,911.58                      | 3,012,481.67         | 1,826,881.68                  | 2,455,808.97         |
| Interest cost   | 373,419.52                        | 309,580.47           | 350,250.02                    | 309,580.47           |
| Actuarial (gains) losses                                  | -                                 | -                    | -                             | -                    |
| <b>Employee benefit obligation<br/>as at December 31,</b> | <b>16,944,179.99</b>              | <b>14,411,848.89</b> | <b>15,824,809.12</b>          | <b>13,647,677.42</b> |

Employee benefit expenses in profit or loss for the year ended December 31, 2015 and 2014, consisted of:

|  | Unit: Baht                        |                     |                               |                     |
|--|-----------------------------------|---------------------|-------------------------------|---------------------|
|  | Consolidated financial statements |                     | Separate financial statements |                     |
|  | 2015                              | 2014                | 2015                          | 2014                |
| <u>Post-employment benefit plan</u>                    |                                   |                     |                               |                     |
| Current service cost                                   | 2,158,911.58                      | 3,012,481.67        | 1,826,881.68                  | 2,455,808.97        |
| Interest from obligation                               | 373,419.52                        | 309,580.47          | 350,250.02                    | 309,580.47          |
| Net actuarial (gains) losses recognized<br>in the year | -                                 | -                   | -                             | -                   |
| <b>Total employee benefits expenses</b>                | <b>2,532,331.10</b>               | <b>3,322,062.14</b> | <b>2,177,131.70</b>           | <b>2,765,389.44</b> |

Employee benefit expenses for the year ended December 31, 2015 and 2014 as shown in profit or loss as follows:

|   | Unit: Baht                        |                     |                               |                     |
|---|-----------------------------------|---------------------|-------------------------------|---------------------|
|   | Consolidated financial statements |                     | Separate financial statements |                     |
|   | 2015                              | 2014                | 2015                          | 2014                |
| <u>Employee benefit expenses</u>        |                                   |                     |                               |                     |
| Selling expenses                        | 1,388,659.99                      | 1,662,106.54        | 1,234,552.55                  | 1,229,586.49        |
| Administrative expenses                 | 1,143,671.11                      | 1,659,955.60        | 942,579.15                    | 1,535,802.95        |
| <b>Total employee benefits expenses</b> | <b>2,532,331.10</b>               | <b>3,322,062.14</b> | <b>2,177,131.70</b>           | <b>2,765,389.44</b> |

Principal actuarial assumptions as at December 31, 2015 and 2014, (expressed as weighted averages) as follows:

|  | หน่วย: บาท  |       |
|--|---|-------|
|  | Consolidated and separate<br>financial statements |       |
|  | 2015  | 2014  |
| Discount rate at December 31,                            |   |       |
| - 10 years average work duration period until retirement | 2.51%   | 2.83% |
| - 20 years average work duration period until retirement | 3.16%   | 3.65% |
| - 30 years average work duration period until retirement | 3.59%   | 3.86% |
| Future salary increases                                  | 5.00%   | 5.00% |
| Mortality rate   | Mortality table in the year 2008                  |       |

The actuarial assumption of discount rate is estimated from weighted average of yield rate of government bonds as at the end of reporting date that reflects the estimated timing of benefit payments.

The actuarial assumption of mortality rate for reasonable estimation of probability of retirement in the future is estimated from mortality table.

## 22. SHARE CAPITAL

The Annual General Meeting of the Company's Shareholders No. 1/2014, held on April 23, 2014, approved to increase its ordinary share capital by 27 million shares at a par value of Baht 1 each from the existing share capital of Baht 135 million to Baht 162 million as a reserve for the stock dividend to the shareholders at the ratio 5 current shares per 1 dividend share. The Company registered the increase of registered capital with the Ministry of Commerce on April 25, 2014. Subsequently, the Company allocated the stock dividend to existing shareholders for 26,999,986 shares at a par value of Baht 1 each and registered the change of paid-up share capital into Baht 161,999,986 with the Ministry of Commerce on May 21, 2014.

## 23. LEGAL RESERVE

Pursuant to the Public Limited Companies Act B.E. 2535, the Company must appropriate annual net profit as a reserve fund of not less than 5 % of the annual net profit deducted by the total deficit brought forward (if any) until reserve reaches an amount no less than 10 % of the registered capital. This legal reserve is not available for dividend distribution. The Company has already appropriated the legal reserve reaches 10% of the Company's registered capital.

## 24. DIVIDEND PAID

### *Year 2015*

Minutes of Board of Directors' Meetings of the Company No.5/2015 held on August 10, 2015 approved the payment of interim dividend of Baht 0.08 per share from the six-month period operation ended June 30, 2015, in the total amount of Baht 12.96 million on September 7, 2015.

Minutes of Board of Directors' Meetings of the Company No. 2/2015 held on February 16, 2015, and the Annual General Meeting of Shareholders No. 1/2015 held on April 28, 2015, approved the last payment of dividend for the year 2014 on May 22, 2015 at Baht 0.12 per share, for a total number of 161.99 million shares, in the amount of Baht 19.44 million. The total dividend payment was Baht 32.40 million equivalent to 83.39 percent of net profit for the year 2014.

### *Year 2014*

Minutes of Board of Directors' Meetings of the Company No.9/2014 held on August 13, 2014 approved the payment of interim dividend of Baht 0.08 per share from the six-month period operation ended June 30, 2014, in the total amount of Baht 12.96 million on September 10, 2014.

Minutes of Board of Directors' Meetings of the Company No.8/2013 held on August 9, 2013, Minutes of Board of Directors Meeting of the Company No.3/2014 held on February 27, 2014 and the Annual General Meeting of Shareholders No. 1/2014 held on April 23, 2014, approved an interim dividend payment, allocation of the profit and dividend payment for the operation period for the year 2013 in the amount of Baht 0.43 per share, totaling Baht 58.05 million equivalent to 114.39 percent of net profit for the year 2013 as follows:

- 1) approved to pay the interim dividend payment of Baht 0.13 per share from the six-month period of operation ended June 30, 2013, totaling Baht 17.55 million on September 6, 2013.
- 2) approved to pay the dividend in the form of 27 million ordinary shares in the ratio of 5 current shares per 1 dividend share, totaling not in excess of Baht 27 million, equivalent to Baht 0.20 per share. If any indivisible shares remain after such allocation, the dividend shall be paid by cash in the amount of Baht 0.20 per share on May 21, 2014.
- 3) approved to pay the dividend payment by cash at the rate of Baht 0.10 per share, equivalent to Baht 13.50 million on May 21, 2014.
- 4) approved to allocate the profit to the legal reserve for the year 2013 in the amount of Baht 2.70 million, to complete the legal reserve of 10% of the new registered share capital amount of Baht 162 million.

## 25. EXPENSES BY NATURE

Significant expenses by nature for the years ended December 31, 2015 and 2014 were as follow:

|  | Unit: Baht                        |                |                               |                |
|--|-----------------------------------|----------------|-------------------------------|----------------|
|  | Consolidated financial statements |                | Separate financial statements |                |
|  | 2015                              | 2014           | 2015                          | 2014           |
| Changes in finished goods and work in progress | (11,626,164.40)                   | 27,689,079.47  | (4,096,632.46)                | 27,736,929.39  |
| Purchase of goods                              | 637,954,765.35                    | 610,101,954.12 | 616,745,302.94                | 606,646,549.35 |
| Sub-contracts expenses                         | 47,203,562.28                     | -              | 52,058,466.13                 | -              |
| Depreciation and amortization                  | 14,475,964.37                     | 12,469,599.08  | 14,260,129.33                 | 12,624,132.86  |
| Salaries, wages and other employee benefits    | 114,332,792.52                    | 107,606,921.53 | 97,039,984.19                 | 95,747,036.28  |
| Advertising and promotion expenses             | 5,989,285.83                      | 7,569,936.17   | 5,696,008.25                  | 7,544,234.06   |
| Delivery expense                               | 7,452,450.05                      | 7,451,325.71   | 7,047,825.78                  | 6,982,881.80   |
| Utility expenses                               | 4,223,252.27                      | 4,232,630.91   | 4,163,886.19                  | 4,230,649.92   |
| Written off prepaid expenses                   | 5,932,947.76                      | -              | 5,150,000.00                  | -              |

## 26. INCOME TAX EXPENSE

Income tax expense for the year ended December 31, 2015 and 2014 as follows:

|                                    | Unit: Baht                        |               |                               |               |
|------------------------------------|-----------------------------------|---------------|-------------------------------|---------------|
|                                    | Consolidated financial statements |               | Separate financial statements |               |
|                                    | 2015                              | 2014          | 2015                          | 2014          |
| Current tax expense                |                                   |               |                               |               |
| Current period                     | 10,660,529.39                     | 11,597,947.05 | 10,203,274.75                 | 11,157,629.26 |
| Deferred tax expense               |                                   |               |                               |               |
| Movements in temporary differences | (946,572.48)                      | (873,209.55)  | (773,709.72)                  | (529,479.23)  |
| Total                              | 9,713,956.91                      | 10,724,737.50 | 9,429,565.03                  | 10,628,150.03 |

Reconciliation of effective tax rate for the year ended December 31, 2015 and 2014 as follows:

|   | Consolidated financial statements |                      |              |                      |
|---|-----------------------------------|----------------------|--------------|----------------------|
|   | 2015                              |                      | 2014         |                      |
|   | Tax rate (%)                      | Unit: Baht           | Tax rate(%)  | Unit: Baht           |
| <b>Profit before income tax</b>   |                                   | <b>42,761,682.20</b> |              | <b>48,394,636.88</b> |
| Income tax using the corporate tax rate   | 20.00                             | 8,552,336.44         | 20.00        | 9,678,927.38         |
| Expenses not deductible for tax purposes  | 2.98                              | 1,276,237.42         | 4.39         | 1,975,609.84         |
| Expenses that are deductible at a greater amount from actual expenses                                 | (0.72)                            | (306,924.83)         | (0.53)       | (237,207.62)         |
| Current year losses for which no deferred tax assets was recognized                                   | 1.99                              | 853,184.27           | 1.04         | 470,681.23           |
| Prior year losses which no deferred tax assets was recognized but used to reduce current tax expenses | (1.11)                            | (470,681.23)         | (0.58)       | (259,145.40)         |
| Prior year temporary differences which no deferred tax assets was recognized                          | (0.12)                            | (51,790.43)          | (0.09)       | (41,496.75)          |
| Effect from eliminate transactions  | (0.32)                            | (138,404.72)         | (1.28)       | (862,631.18)         |
| <b>Income tax expenses</b>  | <b>22.72</b>                      | <b>9,713,956.91</b>  | <b>23.81</b> | <b>10,724,737.50</b> |

|   | Separate financial statements |                      |              |                      |
|---|-------------------------------|----------------------|--------------|----------------------|
|   | 2015                          |                      | 2014         |                      |
|   | Tax rate (%)                  | Tax rate (%)         | Tax rate (%) | Unit: Baht           |
| <b>Profit before income tax</b>                                       |                               | <b>37,593,388.68</b> |              | <b>49,746,007.89</b> |
| Income tax using the corporate tax rate                               | 20.00                         | 7,518,677.74         | 20.00        | 9,949,201.59         |
| Expenses not deductible for tax purposes                              | 5.90                          | 2,217,812.12         | 1.84         | 916,156.06           |
| Expenses that are deductible at a greater amount from actual expenses | (0.82)                        | (306,924.83)         | (0.48)       | (237,207.62)         |
| <b>Income tax expenses</b>  | <b>25.08</b>                  | <b>9,429,565.03</b>  | <b>21.36</b> | <b>10,628,150.03</b> |

The deferred tax asset is not recognized in the statement of financial position; consisted of:

|                          | Unit: Baht                        |                      |                               |          |
|--------------------------|-----------------------------------|----------------------|-------------------------------|----------|
|                          | Consolidated financial statements |                      | Separate financial statements |          |
|                          | 2015                              | 2015                 | 2014                          | 2015     |
| <b>Unused tax losses</b> |                                   |                      |                               |          |
| Expire in next 1 year    | 4,840,642.70                      | -                    | -                             | -        |
| Expire in 2 - 5 years    | 10,293,073.49                     | 10,752,329.27        | -                             | -        |
| Temporary differences    | -                                 | 258,952.17           | -                             | -        |
| <b>Total</b>             | <b>15,133,716.19</b>              | <b>11,011,281.44</b> | <b>-</b>                      | <b>-</b> |

Foreign subsidiary company

A foreign subsidiary company, Phol Dhanya (Cambodia) Co., Ltd. which was established in Cambodia, is obliged to pay corporate income tax either at the tax rate of 20% of taxable profit or at the minimum tax rate of 1% of total revenue, whichever is the higher.

**27. EARNINGS PER SHARE**

Basic earnings per share is calculated by dividing the net profit for the year by the weighted average number of ordinary shares in issue during the year, after adjusting the number of ordinary shares in proportion to the change in the number of shares as a result of the increase in share capital arising from the issue of a stock dividend of 27 million shares on May 21, 2014. The number of ordinary shares for the prior year has been adjusted as if the stock dividend had been issued at the beginning of the earliest period reported.

The number of ordinary shares and the paid-up share capital are restated as follows:

**Issued and paid-up share capital (Restated)**

|  | <b>Unit: Baht</b>     |
|--|-----------------------|
| As at December 31, 2014  | 135,000,000.00        |
| Increase in capital from a payment of stock dividend at May 21, 2014 | 26,999,986.00         |
| <b>As at December 31, 2014 (Restated)</b>                            | <b>161,999,986.00</b> |

Basic earnings per share as at December 31, 2015 and 2014 are computed as follows:

**Consolidated financial statements**

| Net profit     |               | Weighted average number of ordinary shares |                               | Earnings per share |                      |
|----------------|---------------|--|-------------------------------|--------------------|----------------------|
| 2015           | 2014          | 2015                                       | 2014                          | 2015               | 2014                 |
| (Million Baht) | (Millio Baht) | (Million shares)                           | (Millionshares)<br>(Restated) | (Baht)             | (Baht)<br>(Restated) |

**Basic earnings per share**Net income attributable to equity holders

|                                 |              |              |            |            |             |             |
|---------------------------------|--------------|--------------|------------|------------|-------------|-------------|
| For the year ended December, 31 | <b>34.31</b> | <b>39.86</b> | <b>162</b> | <b>162</b> | <b>0.21</b> | <b>0.24</b> |
|---------------------------------|--------------|--------------|------------|------------|-------------|-------------|

**Separate financial statements**

| Net profit     |               | Weighted average number of ordinary shares |                               | Earnings per share |                      |
|----------------|---------------|--|-------------------------------|--------------------|----------------------|
| 2015           | 2014          | 2015                                       | 2014                          | 2015               | 2014                 |
| (Million Baht) | (Millio Baht) | (Million shares)                           | (Millionshares)<br>(Restated) | (Baht)             | (Baht)<br>(Restated) |

**Basic earnings per share**Net income attributable to equity holders

|                                 |              |              |            |            |             |             |
|---------------------------------|--------------|--------------|------------|------------|-------------|-------------|
| For the year ended December, 31 | <b>28.16</b> | <b>39.12</b> | <b>162</b> | <b>162</b> | <b>0.17</b> | <b>0.24</b> |
|---------------------------------|--------------|--------------|------------|------------|-------------|-------------|

## 28. PROVIDENT FUND

The Company, its subsidiaries, and their employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. The Company, its subsidiaries and the staff will contribute the same amount at 3% to 5% of staff salary to this fund. Staff will receive payment from the provident fund upon retirement based on the rules of the fund. During the year ended December 31, 2015, the Company, and its subsidiaries contributed Baht 2.71 million (2014: Baht 2.54 million).

## 29. SEGMENT INFORMATION

Segment information is presented in respect of the Group's business segment which is based on the Group's management and internal reporting structure.

Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise corporate assets, other income, selling expenses, administrative expenses and finance costs.

### *Business segment information*

The Group's business segment information and reconciliation of reportable segment profit or loss for the year ended December 31, 2015 and 2014 was as follows:

Unit: Thousand Baht

|  | Trading in Health and Safety Products |                | Water Treatment System |              | Water supply systems for villages |          | Elimination of inter-segment revenues |            | Consolidation  |                |
|--|---------------------------------------|----------------|------------------------|--------------|-----------------------------------|----------|---------------------------------------|------------|----------------|----------------|
|  | 2015                                  | 2014           | 2015                   | 2014         | 2015                              | 2014     | 2015                                  | 2014       | 2015           | 2014           |
| Revenue from sales and rendered services | 820,267                               | 776,374        | 73,080                 | 26,636       | 21,556                            | -        | -                                     | -          | 914,903        | 803,010        |
| Intersegment revenues                    | 44,856                                | 50,010         | 43,784                 | 1,288        | 18,170                            | -        | (106,810)                             | (51,298)   | -              | -              |
| Cost of sales and rendered Services      | (665,901)                             | (611,774)      | (79,592)               | (25,452)     | (36,692)                          | -        | 107,569                               | 52,061     | (674,616)      | (585,165)      |
| <b>Segment gross profit</b>              | <b>199,222</b>                        | <b>214,610</b> | <b>37,272</b>          | <b>2,472</b> | <b>3,034</b>                      | <b>-</b> | <b>759</b>                            | <b>763</b> | <b>240,287</b> | <b>217,845</b> |

Unallocated income and expenses:

|                                    |  |  |  |  |  |  |  |  |               |               |
|------------------------------------|--|--|--|--|--|--|--|--|---------------|---------------|
| Gain (loss) on exchange rate – net |  |  |  |  |  |  |  |  | (683)         | 2,059         |
| Other income                       |  |  |  |  |  |  |  |  | 3,040         | 2,422         |
| Selling expenses                   |  |  |  |  |  |  |  |  | (101,587)     | (88,085)      |
| Administrative expenses            |  |  |  |  |  |  |  |  | (88,107)      | (83,193)      |
| Written off prepaid expenses       |  |  |  |  |  |  |  |  | (5,933)       | -             |
| Finance costs                      |  |  |  |  |  |  |  |  | (4,255)       | (2,653)       |
| Income tax                         |  |  |  |  |  |  |  |  | (9,714)       | (10,725)      |
| <b>Profit for the year</b>         |  |  |  |  |  |  |  |  | <b>33,048</b> | <b>37,670</b> |

The Group's business segment information and reconciliation of reportable segment total assets to the Group's assets as at December 31, 2015 and 2014 as follow:

|                                    | Unit: Thousand Baht               |                |
|------------------------------------|-----------------------------------|----------------|
|                                    | Consolidated financial statements |                |
|                                    | 2015                              | 2014           |
| Investment property – net          | 7,700                             | 8,178          |
| Property plant and equipment – net | 140,692                           | 129,170        |
| Unallocated assets                 | 519,006                           | 413,024        |
| <b>Total assets</b>                | <b>667,398</b>                    | <b>550,372</b> |

#### *Geographical segments information*

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. However, the Group has insignificant assets located in foreign countries.

The Group's Geographical segments information for the year ended December 31, 2015 and 2014 was as follows:

|                 | Unit: Thousand Baht |                |
|-----------------|---------------------|----------------|
|                 | Revenues            |                |
|                 | 2015                | 2014           |
| Thailand        | 904,710             | 796,456        |
| Other countries | 10,193              | 6,554          |
| <b>Total</b>    | <b>914,903</b>      | <b>803,010</b> |

#### *Major customer*

The Group has no revenues from transactions with single customer amount to 10 percent or more of the Group's revenues.

## 30. COMMITMENTS AND CONTINGENT LIABILITIES

### **Commitments**

#### *Operating lease commitments*

#### **Phol Dhanya Plc.**

Leasehold right of the Company consists of the following two agreements:

- On August 22, 1995, the Company entered into the building leasehold right agreement with a company by paying the amount of Baht 2,800,000, for a lease period of 30 years. The rental fees will be paid yearly, in the amount of Baht 12,000 to Baht 24,000 throughout the lease period.
- On June 4, 2004, the Company entered into a agreement transferring the leasehold right from a related party by paying the amount of Baht 2,800,000, for the remaining lease period of 21 years and 2 months. The rental fees will be paid yearly, in the amount of Baht 12,000 to Baht 24,000 throughout the lease period.

Subsidiary companiesPhol Water Co., Ltd.

On March 1, 2015, the subsidiary company entered into a building leasehold right agreement with a company by paying the amount of Baht 450,000, for the lease period of 3 years. The rental fees will be paid monthly, in the amount of Baht 12,500 and such subsidiary company has right to extend the lease period for another 3 years by paying the additional amount of Baht 522,000 and monthly rental fee in the amount of Baht 12,500 throughout the lease period.

Commitments and contingent liabilities with financial institutions

As at December 31, 2015, there are outstanding commitments and contingent liabilities with financial institutions as follows:

|  | Unit: Million Baht |       |        |
|--|--------------------|-------|--------|
|  | Credit arrangement | Used  | Unused |
| 1.) Letters of credits and trust receipt   | 268.00             | -     | 268.00 |
| 2.) Promissory notes   | 95.00              | 40.00 | 55.00  |
| 3.) Letters of guarantee   | 60.70              | 43.83 | 16.87  |
| 4.) Bank overdraft   | 51.50              | -     | 51.50  |
| 5.) Forward exchange contracts   | 275.00             | -     | 275    |
| 6.) Forward exchange contracts USDOLLAR 1.15 million of credit arrangement and as at December 31, 2015, they have been unused. |                    |       |        |

The above facilities were secured by mortgaging its land and building.

Contingent liabilitiesLitigationsPD Genesis Engineering Co., Ltd.

On September 13, 2013, such subsidiary was sued by a foreign creditor on grounds of breach of sale and purchase agreement Black Case No. Por.741/2556. As the subsidiary defaulted in payment for the purchase of inventory in the amount of US Dollars 76,448.10, it filed a rejoinder statement with the court. The Court set March 6, 2014 as the date of case conciliation and taking of evidence. The subsidiary later offered to pay 10% of total debt, but the creditor rejected this offer. The subsidiary and creditor set May 20, 2014 and July 7, 2014 as dates to discuss a compromise. Ultimately, they could not agree on a settlement.

On July 25, 2014, the subsidiary lodged the supplementary statement of defense with the court that the above creditor's complaint is a civil action related to an international purchase and sale, and, as such, the case falls under the jurisdiction of the Intellectual Property and International Trade Court.

On August 18, 2014, the Court considered such the supplementary defense of the subsidiary as to whether this case is a civil action related to an international purchase-sale under the under the jurisdiction of the Intellectual Property and International Trade Court pursuant to Section 7(5) of the Act on the Establishment of and Procedure for Intellectual Property and International Trade Court, B.E. 2539. As such, the court temporarily suspended proceedings of this case and submitted the case to the President of the Supreme Court to determine proper jurisdiction. The Court set August 28, 2015 as the date for the ruling of the President of the Supreme Court or for settlement of issues. The President of the Supreme Court determined that the case falls under the jurisdiction of the Intellectual Property and International Trade Court in respect of considering and giving judgment. Therefore, the Court struck this case from its docket and then remanded complaint to the Court of competent jurisdiction.

On October 27, 2015, the creditor sued the subsidiary with the Central Intellectual Property and International Trade Court and the Court fixed the date for settlement of issues or hearing the plaintiff's evidence on January 18, 2016. The Court considering creditor's petition and deposition and considered this Case has uncomplicated point of dispute so the Court cancelled such settlement of issues. The plaintiff's attorney was to call two witnesses and the defense attorney was to call a witness for examination. The Court fixed the date for hearing the plaintiff's evidence and the defendant's evidence on October 21, 2016. The Company considered that these cases might not significantly affect the Company's financial statements because the Company provided the allowance for doubtful accounts of loan and provided the allowance for impairment of investment in this subsidiary in the whole amount.

## 31. FINANCIAL INSTRUMENTS

### Credit risk

Credit risk refers to the risk that counterparty will default on its agreement and conditions resulting in collection losses to the Company and its subsidiaries. Credit limit is granted for specific credit amount and is being monitored regularly. Furthermore, the Company manages the risk by adopting the policy of only dealing with creditworthy counterparty and obtaining sufficient collateral or other security where appropriated, as a means of mitigating the risk of financial losses from defaults.

In the case of recognized financial assets, the carrying amount of the assets recorded in the statements of financial position, net of a portion of allowance for the doubtful account, represents the company maximum exposure to credit risk.

### Interest rate risk

The Company has loans from banks, and interest rate is referred at the market rate (MOR rate and MLR rate), therefore, Interest rate risk arises from the potential for a change in interest rates to having affect operation of the Company in the current reporting period, and in the future years.

The Company and subsidiaries' exposures to interest rate risk relate primarily to their cash at banks, current investments and short-term loans. However, since most of the Company and subsidiaries' financial assets and liabilities have been repaid within one year, the interest rate risk is expected to be minimal.

### Foreign currency risk

The Group exposed to foreign currency related primarily to its accounts payables and anticipated purchases denominated in foreign currencies. During the year end December 31, 2015, the Group hedged the foreign currency on accounts payable and part of its anticipated purchases.

However, the balances of financial assets and liabilities denominated in foreign currencies as at 31 December 2015 and 2014 are summarised below.

Unit: Baht

| As at December 31, 2015 |                                   |                       |                               |                       |                                       |              |
|-------------------------|-----------------------------------|-----------------------|-------------------------------|-----------------------|---------------------------------------|--------------|
| Foreign currency        | Consolidated financial statements |                       | Separate financial statements |                       | Exchange rate as at December 31, 2015 |              |
|                         | Financial assets                  | Financial liabilities | Financial assets              | Financial liabilities | (Baht per foreign currency unit)      |              |
|                         |                                   |                       |                               |                       | Buying rate                           | Selling rate |
| Euro                    | 70,539.50                         | 477,607.53            | 70,539.50                     | 477,607.53            | 39.0780                               | 39.7995      |
| Us dollar               | 784,111.82                        | 65,173,777.47         | 5,610,585.35                  | 62,402,243.34         | 35.9233                               | 36.2538      |
| Singapore dollar        | 131,003.22                        | 21,989,967.30         | 131,003.22                    | 21,989,967.30         | 25.2484                               | 25.7905      |
| Pound sterling          | -                                 | 377,759.07            | -                             | 377,759.07            | 53.0726                               | 53.9343      |
| Yen                     | 16,261.82                         | 443,089.46            | 16,261.82                     | 443,089.46            | 0.2965                                | 0.3028       |
| Renminbi                | 24,612.81                         | -                     | 24,612.81                     | -                     | 5.4677                                | 5.6239       |
| Malaysian Ringgit       | 39,361.57                         | -                     | 39,361.57                     | -                     | 8.2898                                | 8.5661       |
| Vietnamese Dong         | 4,936.00                          | -                     | 4,936.00                      | -                     | 0.0016                                | 0.0016       |

Unit: Baht

| As at December 31, 2014 |                                   |                       |                               |                       |                                       |              |
|-------------------------|-----------------------------------|-----------------------|-------------------------------|-----------------------|---------------------------------------|--------------|
| Foreign currency        | Consolidated financial statements |                       | Separate financial statements |                       | Exchange rate as at December 31, 2014 |              |
|                         | Financial assets                  | Financial liabilities | Financial assets              | Financial liabilities | (Baht per foreign currency unit)      |              |
|                         |                                   |                       |                               |                       | Buying rate                           | Selling rate |
| Euro                    | 4,757.78                          | 321,595.43            | 4,757.78                      | 321,595.43            | 39.7507                               | 40.3552      |
| Us dollar               | 375,801.49                        | 77,486,716.51         | 2,201,066.56                  | 74,955,275.29         | 32.8128                               | 33.1132      |
| Singapore dollar        | 201,991.30                        | 20,969,973.92         | 201,991.30                    | 20,969,973.92         | 24.6644                               | 25.1274      |
| Pound sterling          | -                                 | 642,838.36            | -                             | 642,838.36            | 50.7959                               | 51.5035      |
| Yen                     | 14,870.94                         | -                     | 14,870.94                     | -                     | 0.2712                                | 0.2765       |
| Renminbi                | 86,228.58                         | -                     | 86,228.58                     | -                     | 5.2476                                | 5.3519       |
| Malaysian Ringgit       | 44,024.01                         | -                     | 44,024.01                     | -                     | 9.2880                                | 9.5621       |
| Vietnamese Dong         | 4,627.50                          | -                     | 4,627.50                      | -                     | 0.0016                                | 0.0016       |

#### Fair values of financial instruments

Fair value means the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The methods and assumptions are used by the Company and its subsidiaries in estimating fair value of financial instruments are as follows:

Financial assets and liabilities held for the short-term maturities, such as cash on hand and deposits at financial institutions, account receivable and payable, short-term loans to and borrowing, the carrying amounts in the statements of financial position approximate at their fair value.

Long-term loans, which have the fixed interest rate, the carrying value approximate at their fair values, calculated by the present value of the contractually determined stream of future cash flow discounted at the rate of interest applied at that time by the market to instruments, presented as at the statements of financial position. Borrowings at fair value, which have the variable interest rate or the nearly interest rate applied at that time by the market to instruments, the carrying value, presented in the statements of financial position.

Leases, which fair values calculated by the present value of the contractually determined stream of future cash flow discounted at the rate of interest applied at that time by the market to instruments, presented as at the statements of financial position.

### 32. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it has an appropriate financing structure and to preserve the ability to continue its business as a going concern.

According to the statement of financial position as at December 31, 2015, the Group's debt-to-equity ratio was 1.07: 1 (December 31, 2014: 0.71: 1) and the Company's was 1.06: 1 (December 31, 2014: 0.68: 1)

### 33. RECLASSIFICATION

Certain amounts in the financial statements as at December 31, 2014, have been reclassified to conform to the current period's classification but with no effect to previously reported net income or shareholders' equity. The reclassifications are as follows:

| Account  | As previously reported | Unit: Baht          |                 |
|--|------------------------|---------------------|-----------------|
|  |                        | Reclassified amount | As reclassified |
| <b>Consolidated financial statements</b>                     |                        |                     |                 |
| <u>Statements of profit or loss and comprehensive income</u> |                        |                     |                 |
| Loss on impairment of investments                            | -                      | 3,385,000.00        | 3,385,000.00    |
| Administrative expenses                                      | 81,311,315.51          | (3,385,000.00)      | 77,926,315.51   |

### 34. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorized for issue by the Company's Board of Directors on February 23, 2016.



**บริษัท พลธัญญะ จำกัด (มหาชน)**

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