

|| รายงานประจำปี 2559 || 2016 ANNUAL REPORT ||



# CONTENT

<b>2</b>	Vision / Mission		
<b>3</b>	Financial Highlights		
<b>4</b>	Message from the Chairman		
<b>6</b>	Awards and Recognition		
<b>7</b>	Board of Directors		
<b>13</b>	Management Team and Company Secretary		
<b>17</b>	Details of Directors and Management Team		
<b>25</b>	General Information		
<b>27</b>	Nature of Business		
<b>32</b>	Revenue Structure		
		<b>33</b>	Industry Condition and Competitions
		<b>36</b>	Management Discussion and Analysis
		<b>43</b>	Risk Factors
		<b>46</b>	Securities and Shareholders Information
		<b>53</b>	Dividend Payment Policy
		<b>54</b>	Organization Chart
		<b>55</b>	Management Structure
		<b>78</b>	Corporate Governances
		<b>120</b>	Corporate Social Responsibility
		<b>121</b>	Internal Control and Risk Management
		<b>123</b>	Connected Transactions
		<b>130</b>	Responsibility of the Board of Directors to Financial Statements
		<b>131</b>	Report of Nomination and Compensation Committee
		<b>133</b>	Report of Risk Management Committee
		<b>134</b>	Report of Audit Committee
		<b>136</b>	Auditor's Report
		<b>141</b>	Financial Statements and Notes to Financial Statement



## 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



## 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



# Financial Highlights

As December 31  
(Consolidated)

		2016	2015 (Restated)	2014
<b>Financial Position</b>				
Total Assets	Million Baht	960.95	667.40	550.37
Total Liabilities	Million Baht	609.95	346.10	229.69
Total Shareholders' equity of the Company	Million Baht	352.31	322.59	322.90
<b>Financial Performance</b>				
Revenue from Sales and Services	Million Baht	1,097.99	914.90	803.01
Cost of Sales and Services	Million Baht	861.34	674.62	585.17
Gross Profit	Million Baht	236.65	240.29	217.85
Net Profit (Loss) For Owner of The Parent	Million Baht	(15.25)	34.31	38.86
<b>Financial Ratio</b>				
Return On Equity	%	(4.52%)	10.63%	12.27%
Return On Assets	%	(0.65%)	7.72%	9.62%
Gross Profit Margin	%	21.55%	26.26%	27.13%
Net Profit Margin	%	(1.38%)	3.74%	4.81%
Current Ratio	Time	1.44	1.58	1.97
Debt to Equity Ratio	Time	1.73	1.07	0.71
<b>Common Shares</b>				
Par Value Per Share	Baht	1.00	1.00	1.00
Book Value Per Share	Baht	1.73	1.98	1.99
Dividend Per Share	Baht	0.10	0.20	0.20
Dividend Payout Ratio	%	-	94.42%	83.39%
Earnings Per Share	Baht	(0.08)	0.21	0.24

**Note :**

- In 2016, the Company increased registered capital from Baht 161,999,986 to Baht 250,999,978, by issuing 88,999,992 new ordinary shares with a par value of Baht 1 each, 40,499,996 shares to the existing shareholders of the Company according to their shareholding position (Rights Offering), 40,499,996 shares to support the exercise of warrants (PHOL-W1) and 8,000,000 shares to support the rights adjustment of ESOP warrant allotted to Board of Director and employee of the Company (ESOP-Warrant). As December 31, 2016, the Company had paid up capital of Baht 202,499,982.
- The consolidated statement of financial position as at December 31, 2015 have been restated, due to during the year 2016, the Company found the error due to un-recognition of change in the Company's ownership interest in subsidiary company. Therefore the Company made an adjustment by increasing the deficit from the change in the ownership interests in the consolidated financial statements.
- 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.

## Message from the Chairman



Prof. Dr. Pornchai Chunhachinda

*Chairman of the Board*

The overall economic landscape in 2016 suggested a more positive outcome compared with that of the year before, despite its being a gradual expansion. There are a number of supporting factors for domestic economy mainly from the economic stimulus measures and the government's investment policy. On the global scale, even the overall outlook of the world economy seems to have a certain extent of growth, many countries are still facing an economic slowdown. Meanwhile, the domestic manufacturing sector that is related to distribution of occupational safety, health and environment products and control environment products has remained quite stable. With this, the Company has reviewed the strategic direction by way of expanding sales regions, enlarging customer base, developing products and services in order to maintain the Company's operating performance to be in a satisfactory level.

On the other hand, due to the number of incoming projects and because several projects must be delivered in the same period of time, the Company is facing a challenge regarding human resource and shortage of labor force for the water treatment business which has continued to generate consistent growth and revenue. Consequently, this has caused delayed delivery for certain projects, leading to liabilities from delay charges. According to the consolidated statement of financial position of 2016, sales revenue stood at 1,097.99 million Baht, increasing by 183.09 million Baht or 20.01% compared with 2015. Provisional liabilities of 56.51 million Baht must be booked, resulting in a net loss for the company of 15.25 million Baht. Nevertheless, the Company is not taking this lightly and is actively executing corrective measures for this issue. Despite this, the Company is still confident in the growth opportunities for the water treatment business and is of strong belief that with the Company's potential and determination, human resources and teams' expertise can be developed in order to enable effective project management, so that the water treatment business can become a revenue generating business for the Company in the future.

In 2016, the Board of Directors and top executives mutually identified strategic directions over the next 3 years, with the key focus on alignment with the vision, which is 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 key rationale behind this vision involves human resource development, grooming professionalism in safety, health and water business for staff members which is one of the critical factors driving business growth, as well as improvement of internal processes, informational technology system to be effective and to enable the Company's growth in the near future.

Apart from striving for economic returns, the Company also emphasizes on achieving sustainable growth and operating the business under the principle of good governance. In 2016, the Company has been rated "Excellence" in the corporate governance performance evaluation for the second consecutive year by the Thai Institute of Directors (IOD). In terms of anti-corruption, the Company had announced its intention to join force with the Private Sector Collective Action Coalition against Corruption to the CAC committee, and got certified to be a member of the CAC on October 14, 2016. Furthermore, the Company also participated in the Corporate Sustainability Advisory Program in 2016, which is a collaboration among the Stock Exchange of Thailand, the Market for Alternative Investment (mai) and Sustainable Business Development Institute. In this regard, the Company was one of the five mai listed companies selected to develop sustainable management potential according to the Global Reporting Initiative. In 2016, the Company prepared the Sustainability Report which marked the first time that it was separated from the Annual Report, in order for stakeholders to acknowledge sustainable management practices and the Company's operating performance regarding social and environmental responsibilities.

On behalf of Phol Dhanya Public Company Limited's Board of Directors, we would like to express gratitude to shareholders, clients, partners and all groups of stakeholders for your kind trust and continuous support for the Company's operations all along. More importantly, we would like to thank the directors, executives, and staff members for taking part in driving the success of the Company. Please be assured of our determination in developing the organization and growth to generate continuous returns to shareholders under the principle of good governance for maximum and fair benefits to all groups of stakeholders.

# Awards and Recognition

1. PHOL was ranked as Excellent Corporate Governance Scoring (Excellent CG Scoring)



2. PHOL received a membership certificate of the Private Sector Collective Action Coalition against Corruption (CAC)

3. PHOL's 2016 Annual General Meeting of Shareholders received 100 full scores for AGM Quality Assessment Project organized by Thai Investors Association.



4. SEC, Thailand and Cambodia committee had visited Phol to share the best practices of good corporate governance with remarkable fruitful result.





## Board of Directors

Prof. Dr. Pornchai Chunchinda

*Chairman of the Board*





Mr. Chavalit Wangthamrong

*Director*

*Chairman of Executive Committee*

*Nomination and Compensation Committee*

*(Authorized Signature)*

Mr. Teeradej Jarutangtrong

*Director*

*Chairman of Risk Management Committee*

*(Authorized Signature)*



Assoc. Prof. Dr. Ekachidd Chungcharoen

*Independent Director*  
*Chairman of Audit Committee*  
*Nomination and Compensation Committee*

Mr. Noppadol Dheerabutrpongkul

*Independent Director*  
*Audit Committee*  
*Chairman of Nomination and*  
*Compensation Committee*





Mr. Pramuk Vongtanakiat, M.D.

*Independent Director*  
*Risk Management Committee*

Mr. Santi Niamnil

*Independent Director*  
*Audit Committee*





General Chaiwat Satondee

*Director*

Mr. Boonchai Suwanvutthiwat

*Director*

*Executive Director*

*Risk Management Committee*



Mr. Pornsak Chunhajinda

*Director*

*Executive Director*

*Risk Management Committee*

Mr. Thanya Wangthamrong

*Director*

*Executive Director*





## Management Team and Company Secretary

Mr. Boonchai Suwanvutthiwat

*Chief Executive Officer*





Mr. Pornsak Chunhajinda

*Managing Director  
Chief Financial Officer  
Chief Human Resource Officer*

Miss Prapaipit Viriyabhupha

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



Mr. Payotorn Mungthong

*Chief Sales Officer Occupational Safety,  
Health and Environment Products*

Mr. Thanya Wangthamrong

*Chief Marketing Officer*





Miss Kamolhoppa Puapansakul

*Chief Internal Audit Officer  
Secretary of Audit Committee*

Miss Saowapa Choorujiporn

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



# Details of Directors and Management team

**Prof. Dr. Pornchai Chunhachinda** Age 53  
**Chairman of the Board**

Appointment as Director date: 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 (July 2015)
- 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

#### Position in Listed Company at present : 1

2014 - Present Chairman of the Board, Phol Dhanya Plc.

#### Other position at present : 5

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 Audit Committee and Independent Director, Krungthai Panich Insurance Plc.  
 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.

#### Work Experiences

2011 - 2016 Independent Director/ Chairman of Audit Committee, Copper Wired Co., Ltd.  
 2011 - 2014 Chairman of Nomination and Compensation 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

#### Number of Shares Held as of December 31, 2016 :

Personally : 0.81% (1,648,129 Shares)

#### Spouse and minor children :

None

#### Family relationship among Director and Executive :

Mr. Pornsak Chunhajinda's brother

**Mr. Chavalit Wangthamrong** Age 64  
**Director/ Chairman of Executive Committee/ Nomination and Compensation Committee (Authorized Signature)**

Appointment as Director date: 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

#### Position in Listed Company at present : 1

2013 - Present Chairman of Executive Committee, Phol Dhanya Plc.  
 2014 - Present Nomination and Compensation Committee, Phol Dhanya Plc.  
 2007 - Present Director, Phol Dhanya Plc.

#### Other position at present : 7

#### Subsidiaries company : 2

2014 - Present Director, Phol Water Co., Ltd.  
 2013 - Present Director, Pholdhanya (Cambodia) Co., Ltd.

#### Other Company : 5

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.

#### Work Experiences

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.

#### Number of Shares Held as of December 31, 2016 :

Personally : 12.75% (25,812,055 Shares)  
 Spouse and minor children : 9.69% (19,626,661 Shares)

#### Family relationship among Director and Executive :

Mr. Thanya Wangthamrong's Father

**Mr. Teeradej Jarutangtrong** Age 64  
**Director/ Chairman of Risk Management Committee**  
**(Authorized Signature)**

Appointment as Director date: September 12, 2007

**Educational Background**

- Bachelor of Engineering, Chulalongkorn University

**Training**

**Training programs of Thai Institute of Directors (IOD)**

- How to Develop a Risk Management Plan (HRP) Class 10/2016
- Anti-Corruption for Executive Program Class 14/2015
- Director Accreditation Program (DAP) Class 68/2008

**Position in Listed Company at present : 1**

- 2014 - Present Chairman of Risk Management Committee, Phol Dhanya Plc.
- 2007 - Present Director, Phol Dhanya Plc.

**Other position at present : 4**

**Subsidiaries company : 1**

- 2013 - Present Chairman of the Board, Phol Palladium Co., Ltd.

**Other Company : 3**

- 2007 - Present Director, Aegle Safety Equipment (Shanghai) Co., Ltd.
- 2006 - Present Director, Guzz Media Co., Ltd.
- 2005 - Present Director, Aegle Alliance Pte., Ltd.

**Work Experiences**

- 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.

**Number of Shares Held as of December 31, 2016 :**

- Personally : 0.62% (1,250,000 Shares)
- Spouse and miner children : 4.22% (8,551,250 Shares)

**Family relationship among Director and Executive :**

None

**Assoc. Prof. Dr. Ekachidd Chungcharoen<sup>/1</sup>** Age 54  
**Independent Director/ Chairman of Audit Committee/**  
**Nomination and Compensation Committee**

Appointment as Director date: 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

**Position in Listed Company at present : 2**

- 2016 - Present Chairman of Audit Committee, Phol Dhanya Plc.
- 2011 - Present Nomination and Compensation Committee, Phol Dhanya Plc.
- 2013 - Present Independent Director /Audit Committee, BJC Heavy Industries Plc.
- 2007 - Present Independent Director /Audit Committee, Phol Dhanya Plc.

**Other position at present : 1**

- 2010 - Present Director of Master of Business Administration Program, Thammasat University
- 2005 - Present Associate Professor, Thammasat University
- 2014 - Present Committee of the Doctoral Program in Business Administration Program, Thammasat University

**Work Experiences**

- 2014 - 2016 Chairman of Nomination and Compensation Committee, Phol Dhanya Plc.
- 2011 - 2013 Independent Director /Audit Committee, BJC Heavy Industries Co., Ltd..
- 2001 - 2007 Director of Bachelor of Business Administration (BBA) International Program, Thammasat University

**Number of Shares Held as of December 31, 2016 :**

- Personally : 0.01% (30,000 Shares)
- Spouse and miner children : None

**Family relationship among Director and Executive :**

None

**Note**

<sup>/1</sup> Appointed as Chairman of Audit Committee to replaced resigned Director and resigned from Chairman of Nominating and Compensating Committee effective on May 10,2016

Mr. Noppadol Dheerabutr<sup>1/2</sup> Age 49  
Independent Director/ Audit Committee/  
Chairman of Nomination and Compensation Committee

Appointment as Director date: September 12, 2007

#### Educational Background

- Master of Science (Finance), University of Colorado at Denver
- Bachelor of Accounting, Thammasat University
- Certified Public Accountant (CPA) 4570

#### Training

##### Training programs of Thai Institute of Directors (IOD)

- Audit Committee Forum "New Auditor's Report: What is it for you?" (June 2016)
- 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

#### Position in Listed Company at present : 2

- 2016 - Present Chairman of Nomination and Compensation Committee, Phol Dhanya Plc.
- 2007 - Present Independent Director /Audit Committee, Phol Dhanya Plc.
- 2013- Present Independent Director /Audit Committee, BJC Heavy Industries Plc.

#### Other position at present : 1

- 2007 - Present Executive Director IFAC Co., Ltd.

#### Work Experiences

- 2011 - 2016 Nomination and Compensation Committee, Phol Dhanya Plc.
- 2013- 2014 Audit Committee, Zemash Corporation Co., Ltd.
- 2011 - 2013 Independent Director /Audit Committee, BJC Heavy Industries Co., Ltd.
- 2005 - 2007 Business Controller, Siam City Cement Plc.

#### Number of Shares Held as of December 31, 2016 :

- Personally : 0.01% (30,000 Shares)
- Spouse and minor children : None

#### Family relationship among Director and Executive :

None

#### Note

<sup>1/2</sup> Appointed as Chairman of Nominating and Compensating Committee effective on May 10, 2016

Mr. Pramuk Vongtanakiat, M.D. Age 47  
Independent Director/ Risk Management Committee

Appointment as Director date: 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)

- How to Develop a Risk Management Plan (HRP) Class 10/2016
- Risk Management Program for Corporate Leaders (RCL) Class 2/2015
- Director Certification Program (DCP) Class 186/2014

#### Position in Listed Company at present : 1

- 2014 - Present Independent Director, Phol Dhanya Plc.
- 2016 - Present Risk Management Committee, Phol Dhanya Plc.

#### Other position at present : 2

- 2000 - Present Management Director, Great Opportunity Co., Ltd.
- 1993 - Present Director, Srisampran Medical Clinic

#### Work Experiences

- 2012 - 2015 Vice President, ThaiVI Organization (Thailand)
- 2010 - 2012 Website Management Committee-thaivi.com
- 1993 - 1999 Medical Office Specialist Obstetricians, Bangkok

#### Number of Shares Held as of December 31, 2016 :

- Personally: 0.08% (156,250 Shares)
- Spouse and minor children : 0.88% (1,778,175 Shares)

#### Family relationship among Director and Executive :

None



**Mr. Santi Niamnil<sup>3</sup>** Age 48  
Independent Director/ Audit Committee

Appointment as Director date: May 10, 2016

**Educational Background**

- Bachelor of Laws, Ramkhamhaeng University
- Attorney-At-Law License 995/2537

**Training**

**Training programs of Thai Institute of Directors (IOD)**

- Director Accreditation Program (DAP) class 80/2009

**Position in Listed Company at present : 2**

- 2016 - Present Independent Director /Audit Committee, Phol Dhanya Plc.  
2009 - Present Independent Director/Audit Committee, Sanko Diecasting (Thailand) Plc.

**Other position at present : 1**

- 2015 - Present Attorney-At-Law, B&P Law Ltd.

**Work Experiences**

- 2014 - 2015 Managing Director , Anek Advocate Co., Ltd..  
2004 - 2015 Partner, Attorney-At-Law. Anek & Associates Lawyers Co., Ltd.  
2003 - 2013 Director, Yusen Air & Sea Service Management (Thailand) Co., Ltd.  
1995 - 2003 Attorney-At-Law. Anek & Associates Lawyers Co., Ltd.

**Number of Shares Held as of December 31, 2016 :**

- Personally : None  
Spouse and minor children : None

**Family relationship among Director and Executive :**

None

**Note**

<sup>3</sup> Appointed as Director to replaced resigned Director effective on May 10, 2016

**General Chaiwat Satondee<sup>4</sup>** Age 62  
Director

Appointment as Director date: October 12, 2015

**Educational Background**

- Bachelor of Science, Chulachomkiao 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

**Position in Listed Company at present : 1**

- 2015 - Present Director/ Advisor to Chairman of Executive Committee, Phol dhanya Plc.

**Other position at present : 2**

**Subsidiaries company : 1**

- 2016 - Present Director, Phol Water Co.,Ltd.

**Other Company : 1**

- 2015 - Present Advisor to Board of Security and Military Affairs, The National legislative Assembly.

**Work Experiences**

- 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

**Number of Shares Held as of December 31, 2016 :**

- Personally : 0.12% (248,250 Shares)  
Spouse and minor children : None

**Family relationship among Director and Executive :**

None

**Note**

<sup>4</sup> Appointed as Director of subsidiary (Phol Water Co.,Ltd.) effective on December 19,2016

**Mr. Boonchai Suwanvutthiwat** Age 53  
Director/Executive Director/ Risk Management Committee/  
Chief Executive Officer

Appointment as Director date: April 30, 2013

#### Educational Background

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

#### Training

- CSR for Corporate Sustainability, SET (Feb 2016)
- Big Data Analytic for Defining Strategic Insights, Thailand Productivity Institute (August 2016)
- Capital Market Academy Leadership Program, Capital Market Academy (CMA) Class 20/2015

#### Training programs of Thai Institute of Directors (IOD)

- Driving Company Success with IT Governance (ITG) class 3/2016
- Successful Formulation and Execution of Strategy (SFE) class 26/2016
- Anti-Corruption: The Practical Guide Program (ACPG) class 21/2015
- Director Certification Program (DCP) Class 155/2012

#### Position in Listed Company at present : 1

2013 - Present Director/ Chief Executive Officer, Phol Dhanya Plc.  
2010 - Present Executive Director, Phol Dhanya Plc.  
2014 - Present Risk Management Committee, Phol Dhanya Plc.

#### Other position at present : 2

##### Subsidiaries company : 2

2014 - Present Director, Phol Water Co.,Ltd.  
2013 - Present Director, Pholdhanya (Cambodia) Co., Ltd.

#### Work Experiences

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.

#### Number of Shares Held as of December 31, 2016 :

Personally : None  
Spouse and miner children : None

#### Family relationship among Director and Executive :

None

**Mr. Pornsak Chunhajinda** Age 49  
Director/ Executive Director/Managing Director/  
Chief Financial Officer / Chief Human Resources Officer

Appointment as Director date: April 26, 2016

#### Educational Background

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

#### Training

- CSR for Corporate Sustainability, SET (Feb 2016)

#### Training programs of Thai Institute of Directors (IOD)

- Director Certification Program (DCP) Class 227/2016

#### Position in Listed Company at present : 1

2016 - Present Director/Managing Director, Phol Dhanya Plc.  
2010 - Present Executive Director/Chief Financial Officer, Phol Dhanya Plc.  
2014 - Present Chief Human Resources Officer, Phol Dhanya Plc.

#### Other position at present : 3

##### Subsidiaries company : 1

2014 - Present Director/Managing Director, Phol Water Co., Ltd.

##### Other Company: 2

2007 - Present Director, Nonsi Accounting Co., Ltd.  
2004 - Present Director, Rak Charoen Co., Ltd.

#### Work Experiences

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.

#### Number of Shares Held as of December 31, 2016 :

Personally : 0.08% (168,582 Shares)  
Spouse and miner children : 0.43% (875,646 Shares)

#### Family relationship among Director and Executive :

Prof. Dr. Pornchai Chunhajinda's brother

**Mr. Thanya Wangthamrong** Age 36  
**Director/ Executive Director/ Chief Marketing Officer**

Appointment as Director date: April 30, 2013

**Educational Background**

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

**Training**

- CSR for Corporate Sustainability by SET (Feb 2016)
- Big Data Analytic for Defining Strategic Insights, Thailand Productivity Institute (May 2016)

**Training programs of Thai Institute of Directors (IOD)**

- Director Certification Program (DCP) Class180/2013

**Position in Listed Company at present : 1**

2016 - Present	Director, Phol Dhanya Plc.
2010 - Present	Executive Director/ Chief Marketing Officer/, Phol Dhanya Plc.

**Other position at present : 3**

2011 - Present	Director, Wilsiri Intertrade Co, Ltd..
2006 - Present	Director, Guzz Media Co., Ltd.
2006 - Present	Director, PDF Supply Co., Ltd.

**Work Experiences**

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..

**Number of Shares Held as of December 31, 2016 :**

Personally :	7.46% (15,097,433 Shares)
Spouse and miner children :	2.61% (5,280,000 Shares)

**Family relationship among Director and Executive :**

Mr. Chavalit Wangthamrong's son

**Miss Prapaipit Viriyabhupha** Age 47  
**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**

- CSR for Corporate Sustainability by SET (Feb 2016)
- Big Data Analytic for Defining Strategic Insights, Thailand Productivity Institute (May 2016)

**Position in Listed Company at present : 1**

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.

**Other position at present : 1**

**Subsidiaries company : 1**

2013 - Present	Director, Phol Palladium Co., Ltd.
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**Work Experiences**

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.

**Number of Shares Held as of December 31, 2016 :**

Personally :	0.37% (750,000 Shares)
Spouse and miner children :	None

**Family relationship among Director and Executive :**

None

**Mr. Payotorn Mungthong** Age 46  
**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**

- Advanced Certificate Course in Public Administration and law for Executives Class 15", King Prajadhipok's Institute
- CSR for Corporate Sustainability by SET (Feb 2016)

**Position in Listed Company at present : 1**

2016 - Present Chief Sales Officer Occupational Safety,  
 Health and Environment Products,  
 Phol Dhanya Plc.

**Other position at present : 1**

**Subsidiaries company : 1**

2013 - Present Director/Managing Director, Phol Palladium Co., Ltd.

**Work Experiences**

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.

**Number of Shares Held as of December 31, 2016 :**

Personally : None  
 Spouse and miner children : None

**Family relationship among Director and Executive :**

None

**Miss Kamolhophphan Puapansakul<sup>5</sup>** Age 54  
**Chief Internal Audit Officer/ Secretary of**

**Educational Background**

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

**Training**

- Internal Audit by SET (Sep 2016)
- CSR for Corporate Sustainability by SET (Feb 2016)
- Sustainability Report b SET (Oct 2016)

**Position in Listed Company at present : 1**

2007 - Present Chief Internal Audit Officer /Secretary of  
 Audit Committee, Phol Dhanya Plc.

**Other position at present :**

None

**Work Experiences**

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.

**Number of Shares Held as of December 31, 2016 :**

Personally : None  
 Spouse and miner children : None

**Family relationship among Director and Executive :**

None

**Note**

<sup>4</sup> Formerly name is Miss Nutchomkorn Puapansakul



**Miss Saowapa Choorujiporn**                      **Age 55**  
**Company Secretary/ Secretary of the Board of Director/  
 Secretary of Risk Management Committee**

**Educational Background**

- Bachelor of Business Administration (Accounting), Ramkhamhaeng University

**Training**

- CSR for Corporate Sustainability by SET (Feb 2016)
- Sustainability Report b SET (Oct 2016)
- Company Secretary Program FPCS class 19/2008 Thai Listed Companies Association

**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

**Position in Listed Company at present : 1**

- |                |   |
|----------------|---|
| 2008 - Present | Company Secretary/Secretary of the Board of Director,<br>Phol Dhanya Plc. |
| 2014 - Present | Secretary of Risk Management Committee,<br>Phol Dhanya Plc.               |

**Other position at present : None**

**Work Experiences**

- |             |   |
|-------------|---|
| 2011 - 2012 | Secretary of Nominating and Compensating Committee,<br>Phol Dhanya Plc.                                   |
| 2009 - 2013 | Secretary of Sub-Risk Management Committee,<br>Phol Dhanya Plc.   |
| 2008 - 2013 | Secretary of Executive Committee, Phol Dhanya Plc.  |
| 2003 - 2008 | Operation Administration/ Contract Administration<br>Manager, Picnic Corporation Plc.                     |
| 2001 - 2003 | Assistant to Procurement Manager/<br>Executive General Manager Secretary,<br>BGES Engineering System Plc. |
| 1998 - 2000 | Admin Supervisor, Pioneer Air Cargo Co., Ltd.   |

**Number of Shares Held as of December 31, 2016 :**

- |                             |      |
|-----------------------------|------|
| Personally :                | None |
| Spouse and minor children : | None |

**Family relationship among Director and Executive :**

None

# General Information

<b>Company Name</b>	:	PHOL DHANYA PUBLIC COMPANY LIMITED
<b>SET Symbol</b>	:	PHOL
<b>Registered Capital</b>	:	THB 250,999,978.00 (250,999,978.00 common shares ) with a par value of Baht 1.00
<b>Paid-up Capital</b>	:	THB 202,499,982.00 (202,499,982.00 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 Rd., Ladsawai, Lumlukka, Pathumthani 12150 Thailand. Tel 66(0)2-791-0111-2, Fax 66(0)2-791-0100-3
<b>Branch</b>	:	1) 155/213 Moo 2, Thabma sub-district, Muang district, Rayong Tel 66(0)38-034-011-3, Fax 66(0)38-034-017 2) 47/55-57 Chotana Road., Chang puak sub-district, Muang district, Chiang Mai Tel 66(0)53-226-811, Fax 66(0)38-034-017 3) 1/127 Moo 3, Thepkasattri road, Rasada sub-district, Muang district, Phuket Tel 66(0)76-215-100, Fax 66(0)76-215-714
<b>Registration No.</b>	:	0107551000088
<b>Website</b>	:	www.pdgth.com
<b>Company's Secretary</b>	:	Miss. Saowapa Choorujiporn Tel 66(0)2-791-0151, E-mail: cs@pdgth.com
<b>Investor Relation</b>	:	Miss. Siriporn Ondee Tel 66(0)2-791-0206, E-mail: ir@pdgth.com
<b>Subsidiaries</b>	:	1) <b>Phol Palladium Co., Ltd.</b> 1/11 Moo 3, Lumlukka Rd., Ladsawai, Lumlukka, Pathumthani 12150 Tel 66(0)2-791-0111-2, Fax 66(0)2-791-0100-3 Shareholding :99.99% 2) <b>Phol Water Co., Ltd.</b> Head Office : 1/11 Moo 3, Lumlukka Rd., Ladsawai, Lumlukka, Pathumthani 12150 Tel 66(0)2-791-0111-2, Fax 66(0)2-791-0100-3 Phuket Branch : 1/127 Moo 3, Thepkasattri road, Rasada sub-district, Muang district, Phuket Tel 66(0)76-215-100, Fax 66(0)76-215-714 Shareholding :99.99% 3) <b>Pholdhanya (Cambodia) Co., Ltd.</b> No. 952D, Street 128, Khan Toul Kork, Phnom Penh, Cambodia Shareholding 70%

## Other references

<b>Registrar</b>	: <b>Thailand Securities Depository Co., Ltd.</b> The Stock Exchange of Thailand Building 93 Ratchadaphisek Road, Dindaeng, Dindaeng, Bangkok 10400 Tel 66(0)2-009-9000, Fax 66(0)2-009-9991, Website : <a href="http://www.set.or.th/tsd">www.set.or.th/tsd</a>
<b>Auditor</b>	: <b>ANS Audit Co., Ltd</b> 100/31-32, 16th Floor, 100/2 Vongvanij Building B, Rama 9 Road., Huaykwang, Bangkok, 10320 Thailand Tel 66(0)2-645-0101, Fax 66(0)2-645-0110, Website : <a href="http://www.ans.co.th">www.ans.co.th</a>
<b>Legal Advisor</b>	: Dherakupt Law Office Ltd. 546 Uninvest Complex 15th Floor, Rachadapisek Rd., Chandrakasem, Jatuchak, Bangkok 10900 Tel 66(0)2-511-1512, 66(0)2-513-1976, Fax 66(0)2-938-1247, 66(0)2-938-1957

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For more information, Please 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) )



# Nature of Business

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, the Company’s operation changed its business mission to the distribution of Occupational Safety, Health and Environment Products. Over 35 years, The Company is one of the leading comprehensive distributors.

In 2009, the Company has expanded into Water treatment 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)

The product group used to create safety for workers or to enhance safety in the workplace. The Company is one of the leading comprehensive distributors of more than 3,000 safety products under well-recognized brands, 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, KENEX, ENV-SAFE, and ENVO. The Company’s product distribution is divided into 2 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.

**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 and body washer, chemical containment, moving & transfer equipment, ventilator, safety lock, and safety sign.

## 2. Control Environment Products (CE)

Control Environment Products are used to control the environment for the cleanliness and safety in the workplace, such as Cleanroom for Hospital, Cleanroom for electronic component manufacturing industry, Cleanroom for automobile components manufacturing industry, Cleanroom for Pharmaceutical industry, Cleanroom for



medical devices manufacturing industry, and etc., which need to contamination control small particles and dust coming from workers, machinery, manufacturing process, and outside air. These can result in products or workpieces of no quality Products in this category includes clean room clothing and clean room suit, equipment for cleanroom such as wipes, clean room stationary, cleaning equipment, antistatic device, and etc.

### 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. The company has developed a water purifier product for house brand, Aquamex.



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, construction 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.

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



The water or wastewater treatment system that the company provides services to customers can be divided into 5 systems according to the demand and the required quality of water as follows.

- Potable and drinking water system Potable and drinking water system is a system for improving the quality of untreated water such as natural surface water (in canals, rivers, and groundwater) and contaminated water so that they can be used for consumption as well as in various industries including mobile tap water production.
- Waste water treatment system Waste water treatment system is a system for wastewater from the operations of factories, buildings and activities which needs to be treated before being released into the environment.



- Waste water recycling system Waste water recycling system is a waste water treatment system for the purpose of reuse in the operation by using a variety of treatment technologies to get the proper water quality after treatment, which is suitable to the usage purpose.
- Purified water system Purified water system is a pure water production system for high specification applications
- Desalination System Desalination system is a system that treats sea water through the purifying process to reduce saltiness, and it then could be used in general or for the industrial purpose.

Major brands that the company distributes in the range of Water Solution Products are GE, PENTAIR and ANDRITZ

## The Company's Business Objective

With regards to the long-term business execution plan, the Company emphasizes on operating the business in alignment with the vision which is to become a leading organization with a sustainable innovation in safety, health, environment and relevant businesses in order to satisfy needs of customers in Thailand and AEC countries within 2020. The key rational behind this vision involves human resource development, grooming professionalism in safety, health and water business for staff members which is one of the critical factors driving business growth, as well as improvement of internal processes and utilization of the informational technology system to increase the speed of service delivery to customers. It is the Company's target to generate the average growth of not less than 25% annually.

The Company strives to become a fully-integrated distributor of safety, occupational health and work environment-related products with a great degree of professionalism by way of constantly developing staff members' expertise in the business and increasing market share through new product development to satisfy needs of existing customers and to expand to a new customer base where the market share is still quite small. Furthermore, it is also the Company's goal to increase the market share of the brand SYNOS both for domestic and ASEAN markets as well as to improve services in a more comprehensive manner, for instance, safety equipment rental service, consulting service, training service for new products and technology related to safety and occupational health, and after-sales service.

The overall market outlook of the environmental control product distribution has a tendency for a slowdown and intense competition. However, customers in this product group do not usually change brand preference. And due to the fact that the Company is well aware of potential impact on the manufacturing process, the focus is placed on cost management, speed of service delivery and strengthening brand awareness to encourage customers' advocacy and loyalty. In order to maintain the current customer base, the Company aims to increase revenue contribution by improving product quality, increasing product variety and providing special services in customized production according to customers' requirements through collaboration with manufacturers, ultimately to increase revenue stream from both existing and new customers.



In the meantime, the Company is strongly determined to develop the water treatment business so that it can generate higher revenue and profits in the long run. Even though the operating performance in 2016 got affected by higher costs and fines for delayed delivery of community water supply projects resulting from inadequate human resource at the construction sites and lack of project management experiences, which consequently caused ineffective project monitoring and follow-up. Moreover, there were also issues concerning contractors who agreed to take on jobs that exceed their capacity and the issue of labor shortage, leading to consequences as mentioned. Nevertheless, the Company still foresees growth opportunities from the water treatment business, both supported by the government's budget in continuous water management projects and the private sectors' needs for an effective water treatment system. Therefore, the Company is putting best efforts in developing its human resources, building required capabilities and expertise in the water treatment system, and improving project management process for an effective project execution that will facilitate business growth for the Company in the future.

## Important changes and Developments

Important changes and developments as follow;

In 2008, the Company become a public company limited and registered with an increase of capital of Baht 135 million. 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, 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. And 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.

In 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. However, the operation of the subsidiary company has failed to meet the target; the Company has temporarily ceased its operations to reduce operation expenses of the subsidiary company.

In August 2016, The Extraordinary General Meeting no. 1/2016 has resolved to increase the Company's registered capital to Baht 251 million by issuing new ordinary shares, 40.50 million shares to the existing shareholders of the Company according to their shareholding position (Rights Offering), 40.50 million shares to support the exercise of warrants (PHOL-W1) and 8 million shares to support the rights adjustment of ESOP warrant allotted to Board of Director and employee of the Company (ESOP-Warrant).

## Business Structure of PHOL Group



The operations of the Company and its subsidiaries as follows:

Company	Business
1. Phol Dhanya Public Company Limited (parent company)	Distributor of Occupational Safety, Health and Environment Products in domestic and oversea.
2. Phol Palladium Company Limited (subsidiary company)	Distributor of Occupational Safety, Health and Environment Products to focus government agencies and state enterprises.
3. Phol Water Company Limited (subsidiary company)	Business integrated for water solution systems, distribution, construction, production, and service for both public and private sector clients.
4. Pholdhanya (Cambodia) Company Limited (subsidiary company)	Distributor of Occupational Safety, Health and Environment Products in Cambodia.

# Revenue Structure

The company's consolidated revenue structure in 2014-2016, as follows:

Products	2016		2015		2014*	
	Million Baht	%	Million Baht	%	Million Baht	%
1. Occupational Safety, Health and Environment Products (SAFETY)	687.37	62.33%	715.45	77.94%	675.77	83.69%
2. Control Environment Products (CE)	130.29	11.81%	104.82	11.42%	98.11	12.15%
3. Water Solution Products (WATER)	280.34	25.42%	94.64	10.31%	29.13	3.61%
4. Other revenue	4.87	0.44%	3.04	0.33%	4.48	0.55%
<b>Total</b>	<b>1,102.87</b>	<b>100%</b>	<b>917.94</b>	<b>100%</b>	<b>807.49</b>	<b>100%</b>

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



# Industry Condition and Competitions

## 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 needs to get certified of the international quality standard in order to enhance the standard of production and business operations. Furthermore, occupational safety, health and environment are key issues that both industrial and general entrepreneurs place great emphasis on as they are related to the sustainability of the business. Being aware of the significance of occupational safety, health and environment is considered necessary for business development. A greater awareness of employees' and operators' safety and environment is a factor enabling a tendency for expansion of the occupational safety, health and work environment-related products.

With reference to the Office of the National Economic and Social Development Board's information, the overall outlook of the Thai economy in 2016 grew by 3.2%, improving from the year before with the growth of 2.9%. The industrial manufacturing sector grew by 1.4%, while the manufacturing production index increased by 0.4%, improving from that of 2015, which is coherent with the expansion of the export sector and domestic demands, despite its being a gradual expansion, especially industrial sectors that are the Company's key customers such as the automotive industry with a very slight improvement of the overall manufacturing outlook compared with the previous year. Meanwhile, customers in the petrochemical industry still encountered some effects from oil price volatility, cost reduction and reduction of manpower, consequently decreasing the needs for SAFETY Products. Nevertheless, the Company has adjusted the strategies by expanding its commercial areas and reaching out to new customers. Furthermore, collaborations have been sought after with partners in new market penetration with the introduction of new technical products, as well as development of sales personnel by way of equipping them with knowledge and expertise in the products, potentially increasing revenue for SAFETY Products from new customers and new products. Also, after-sales services for technical products have been developed which has helped increase revenue contribution from service provision. For government sector customers, due to the Company's policy that minimized the participation in the bidding for products with rather low gross profits in 2016, revenue from the government sector customers somehow dropped. In 2016, the Company's total revenue from sales and service provision of SAFETY Products amounted to 687.37 million Baht, declining by 3.92% from that of 2015.

In 2017, the Office of the National Economic and Social Development Board projected that the Thai economy is going to expand by 3-4%, largely supported by the economic and investment stimulus policy of the government and the recovery of the export sector in the overseas market. In spite of risk factors and uncertainties in several areas, it has been forecasted that the recovery rate is likely to be faster than that of 2016, potentially serving as a driving mechanism for the manufacturing sector in different industries to grow, thus increasing the needs for the Company's products.

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, the Company still has advantages over its competitors in that it can provide a broad range of products cover General standard products and high quality standard products and supports in a large volume. In addition, the Company collaborates with manufacturers or suppliers to supply products to meet customer needs and its cost management, the Company still maintains its competitiveness.

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, the Company is highly confident in its wide competitive edge. Furthermore, the Company's focus on ensuring customer satisfaction, 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 (CE)

Regarding the distribution of Control Environment Products (CE), key customers are in the electronic industry, whereby the market expansion is rather slow following lower demand for products in the hard disk drive group from the end of 2015 up until 2016. However, major manufacturers including companies in the chain of production have adjusted their strategies in order to maintain competitive advantages by way of improving the quality of hard disks for industrial use in the format of cloud storage which is capable of storing large amount of data and works very fast. This is basically a separation from the SSD (Solid State Drive) business which is more popular and potentially replaces the use of hard disks in the notebook market. In the meantime, the production capacity of electric circuit manufacturers such as semiconductor has remained stable, and is potentially affected by the reduced production capacity of automobiles since these parts are mainly supplied to automobile manufacturers. However, the utilization of environmental control products to prevent potential damages to the products and production process is still considered highly necessary for the manufacturing of electronic parts.

In terms of competition, the slowdown of the electronic industry has urged the majority of customers to reduce cost of production, coupled with the tendency of higher competition. Nevertheless, customers in this group are hardly going to change their product preference as doing so might affect the production, despite the fact that a great emphasis is placed on cost control. Thus, it is more of a price-based competition and so the Company has shifted its focus towards cost management, speed of delivery, building brand awareness to make customers reluctant to change brand, product presentation that matches with customers' special needs in order to increase the market share and maintain potential customer base. Moreover, the overall industrial outlook in 2017 suggests a higher tendency of expansion compared with 2016, following the recovery of domestic and export market that have shown signs of improvement according to the global economic condition, thus allowing growth opportunities for the distribution of Control Environment Products.

## Water Solution Products (WATER)

Water is an essential public utility for living and the economic system. The utilization of water for consumption and for several activities in the economic system such as agricultural, industrial and energy production sectors tends to increase in pursuit of the increase in the number of population and economic expansion. Also, the impact of natural disasters potentially leads to a number of problems related to water resources, for instance, water shortage, flood, deterioration of water quality, etc. With this, several organizations in the public and private sectors have been placing greater importance in the management of water resources.

The Thai government's policy regulates the development and management of the country's water resources in order to urgently solve problems related to water resources and to enhance effectiveness for a sustainable solution. Thus, budgets have been allocated to several relevant organizations to proceed in relations to this policy. The Company's water treatment business therefore focuses on the government projects, as seen from 137 projects of community water supply construction in 2016, with the total value of approximately 458 million Baht. Due to a large number of projects with overlapping period of delivery, coupled with the lack of effective project management, the construction could not be completed on time, consequently leading to debts caused by project delays. In 2016, the total revenue after deducting estimated fines from delayed delivery amounted to 252 million Baht, with the unrealized revenue on December 31, 2016 of around 133 million Baht.

For the water solutions provided to entrepreneurs in the industrial sector, in 2016 the Company focused on projects of the government sector and industrial customers whose investment in the water treatment system is not very high. The revenue proportion of the industrial sector has therefore decreased. However, the Company ensures that regular follow-up activities for project proposals are being executed and after-sales service provided to existing customers is up to the standard. Furthermore, the past operating performance has begun to gain acceptance from a wider circle of customers, consequently enabling the Company to expand the water treatment business in the industrial sector.

For the year 2017, the company still sees possibility for growth in its water solution business as it will be bolstered by continuing government policy on water management and the constant need for water treatment systems in industry sector. The company believes that, by virtue of its potential and determination, it will be able to develop personnel and working team to be experts in the business. Improvement in efficient project management and adjustment of internal processes will drive the company's water solution business to grow and create sustainable profits for the company in the future.

# Management Discussion and Analysis

## Overview

In its consolidated financial statements as of December 31, 2016, Phol Dhanya Public Company Limited (The Company) recorded revenue from sales and services of 1,097.99 MB, increasing 183.09 MB or 20.01% compared to the revenue from sales and services of 914.90 MB in the previous year. The incremental revenue was mainly contributed by construction of community water system. However, due to the company's insufficiency of construction foremen and lack of project management experience, the project faced inefficiency problem, especially in 4Q16, in which there were many ongoing projects with intense workloads and nearly the same project start and delivery dates. This led to inadequacy of labor and delayed completion of the construction of community water system. In 4Q16, the company estimated liabilities arising from the delay of this project for 97.11 MB, 80.39 MB of which was reclaimable from the contractors. Furthermore, some contractors left the site during the construction, resulting in non-reclaimable damage from delayed project completion and handover. The company, consequently, recorded liabilities from expected penalties of delayed project delivery of 56.51 MB. In response, the company promptly proceeded to replenish workers to accelerate the delayed construction, leading to additional expense and cost. These results in net loss attributable to equity holders of 15.25 MB in 2016, decreasing by 49.56 MB or 144.43% compared to net profit attributable to equity holders of 34.31 in 2015.

## Operating performance

	Unit : Million Baht		
	2016	2015	% YoY
Revenue from sales	816.53	847.39	(3.64%)
Revenue from rendering of services	21.11	9.42	124.18%
Revenue from construction and service contracts	260.35	58.09	348.16%
Other Revenue	4.87	3.04	60.27%
<b>Total Revenue</b>	<b>1,102.87</b>	<b>917.94</b>	<b>20.15%</b>
Cost of sales	606.72	624.78	(2.89%)
Cost of rendering of services	21.88	6.91	216.47%
Cost of construction and service contracts	232.74	42.92	442.24%
<b>Total Costs</b>	<b>861.34</b>	<b>674.62</b>	<b>27.68%</b>
<b>Gross Profit</b>	<b>236.65</b>	<b>240.29</b>	<b>(1.51%)</b>
<b>Gross Profit (%)</b>	<b>21.55%</b>	<b>26.26%</b>	<b>(4.71%)</b>
Total Selling & Administrative Expenses	246.79	196.31	25.71%
Profit (Loss) before Finance Costs and Income Taxes Expense	(5.26)	47.02	(111.20%)
<b>Profit (Loss) before Finance Costs and Income Taxes Expense (%)</b>	<b>(0.48%)</b>	<b>5.12%</b>	<b>(5.60%)</b>
Profit (Loss) attributable to equity holders	(15.25)	34.31	(144.43%)
<b>Net Profit (Loss) (%)</b>	<b>(1.38%)</b>	<b>3.74%</b>	<b>(5.12%)</b>
Basic earnings per share (Baht)	(0.08)	0.21	(137.93%)
Weighted average number of ordinary shares (Million shares)*	189.80	162.00	

\* In 2016, The Company has increases, Issuance of the Capital Increase Ordinary Shares offered for the existing shareholder of the Company proportionately to their shareholding (RO) of 40,499,996 Shares



## Revenue

Unit : Million Baht

Revenue structure	2016	%	2015	%	% YoY
Occupational Safety, Health and Environment Products (SAFETY)	687.37	62.60%	715.45	78.20%	(3.92%)
Control Environment Products (CE)	130.29	11.87%	104.82	11.46%	24.30%
Water Solution Products (WATER)	280.34	25.53%	94.64	10.34%	196.22%
<b>Total revenue from sales and services</b>	<b>1,097.99</b>	<b>100%</b>	<b>914.90</b>	<b>100%</b>	<b>20.01%</b>

In 2016, the company's sales and services were 1,097.99 MB, increasing by 183.09 MB or 20.01%, compared with 914.90 MB of previous year.

Revenue from sales and services of Occupational Safety, Health and Environment Products (SAFETY) was 687.37 MB, dropping by 28.08 MB, or 3.92%, from the previous year. Overall, related industries expanded at a moderate pace, especially those of our core customers, including automobile manufacturing industry which slightly expanded on a y-o-y basis. Continuously affected by oil price instability, the customers in petrochemical industry cut their budgets and number of staff, leading to reduction in demand for SAFETY products. And revenue from government sector also declined as the company won fewer bids compared to 2015 owing to its policy not to focus on projects with excessively low gross margin. Nevertheless, the company adjusted its strategy by expanding sales area to obtain new customers. Collaboration with trade partners in market expansion and improvement of sales force's product knowledge also brought in incremental SAFETY sales from new customers and new products. Financial, improvement in after-sales services for technical products led to increased revenue from service rendering.

Revenue from sales of Control Environment Products (CE) was 130.29 MB, increasing by 25.47 MB, or 24.30%, compared to the previous year. Core customers continued to be companies in electronic industry, although the industry was impacted by market slowdown and changes in technologies. Despite the fact that competition in CE products was naturally intense, CE customers do not frequently change the suppliers due to concerns over impact on their production process. With this in mind, the company aimed at optimizing cost, increasing the speed of service, and building brand loyalty to retain existing customer base in order to boost revenue from sales of CE products.

Revenue from Water Solution Products (WATER) amounts to 280.34 MB, increasing by 185.70 MB or 196.22% compared with the previous year, due to the revenue recognized from construction contracting service of the community water supply project of 252.01 million baht.

## Cost of Sales and Services

In 2016, The Company's cost of sales and services were 861.34 MB, comprising of 606.72 MB cost of sales which decreased variable from lower revenue from sales. And 21.88 MB cost of services increased due to revenue from SAFETY services was increase compare with the previous year and 232.74 MB cost of construction and service contracts was increase variable from the proportion revenue from construction.

Cost of sales and services was accounted for 78.45% of total sales and services revenue, revenue since gross profit of the construction contracting service for the community water supply project is not very high, and had incremental cost from construction projects, and the reduced gross profits from sales due to the competition in the market. In addition, gross profit of service is not very high due to fix cost from depreciation but lower revenue from services, leading to a gross profit of 21.55% which decrease, compare with 26.26% of the previous year.

## Selling and Administrative Expenses

In 2016, selling and administrative expenses amounted to 246.79 MB comprised of selling expenses amounted to 92.30 MB. Selling expenses was decrease due to employees' compensation which variable from lower revenue from sales, including commission and incentives. And 97.98 MB of administrative expenses, increase due to the increase in number of personnel and recorded 56.51 MB of liabilities from expected penalties arising from delays of constructions which cannot collect from sub-contractors.

In 2016, the company's financial cost amounted to 11.01 MB, increasing due to the increase in loan from financial institution for working capital.

## Net profit

The effects from estimated liabilities from expected penalties arising from delays projects, the company's consolidate net loss (attributable to equity holders of the Company) was 15.25 MB, accounted for net loss margin 1.38% which decrease compare with 32.31 MB, accounted for net profit margin 3.74% in the previous year.

## Profitability Ratio

Consolidated	2016	2015
Gross Profit Margin	21.55%	26.26%
Operating Profit Margin	1.34%	6.70%
Net Profit (Loss) Margin	(1.38%)	3.74%
Return on Equity	(4.52%)	10.63%

## Financial Position

	December 31, 2016		December 31, 2015 (restated)		% Change
	MB	%	MB	%	
Assets	960.95	100.00%	667.40	100.00%	43.99%
Liabilities	609.95	63.48%	346.10	51.86%	76.23%
Shareholders' equity	352.31	36.53%	322.59	48.14%	9.21%

## Assets

As of December 31, 2016, the company's total assets equaled 960.95 MB, increasing by 293.56 MB or 43.99% from December 31, 2015. The increased assets were mainly from current assets acquired from advance payment for construction of the Community Water Supply Project increase 5.36 MB. Receivables for penalties arising from delays of constructions increase 11.24 MB, advance payments increase 13.82 MB and unbilled receivables was increase 127.74 MB. Inventories-net increase from finish goods 11.16 MB and construction contracts in progress increased 2.79 MB and allowance for diminution in value of inventories increased by 2.08 MB.

Non-current assets were increase, due to the increase from property, plant and equipment from purchased 21.87 MB of Water well drilling machines, 8.17 MB of furniture and equipment, 6.70 MB of construction in progress and 2.75 MB of other assets. Non-current assets were decrease from amortization amount to 7.79 MB and depreciation amount to 18.83 MB.

### Trade receivables-net

In 2016, the Company recorded net trade receivables of 146.29 MB, which decreased by 3.60 MB from the previous year. Average collection period was 49.23 days, faster than the previous year with an average collection period of 55.22 days.

The Company has a policy to allow customer credit term, which considered based on past performances of the customer, purchase amount, and past payment records. Provision for allowance for doubtful accounts is calculated by estimate losses that may be incurred of receivables, and it is set up at 100% of the outstanding overdue amount. In 2015, the Company recorded no additional allowance for doubtful accounts compared to the previous year.

### Inventories-net

The Company recorded net inventories of 235.09 MB, increasing from the previous year by 11.86 MB, mainly due to the increase from finished goods of 11.16 MB and the increase from work in progress of 2.79 MB. Average sales period was 97.11 days, decrease from 118.79 days in the previous year. Allowance for diminution in value of inventories, the Company recorded by considering obsolete inventories and slow moving inventories. In 2016, the Company's allowance for diminution in value of inventories increased by 2.08 MB from the previous year.

## Liabilities

As of December 31, 2016, the company's total liabilities equaled 619.95 MB, increasing by 263.85 MB or 76.23% from December 31, 2015 mainly due to the increased from short-term loans from financial institutions increased 174.45 MB. The Company issued and offered additional unsecured Bill of Exchange increase 100 million baht In addition, promissory notes were increase 35 MB and short-term loan - trust receipt was increase 39.84 MB for working capital. And recorded penalties arising from delays of constructions amount to 56.51 MB. However, trade and other payables were decrease by 27.26 MB.

Non-current liabilities were increase mainly due to the increase from liabilities under finance lease amount to 15.13 MB and of 32.32 MB of the long-term loans from financial institution. Employee benefit obligations was increase 2.70 MB.

### **Bank overdraft and short-term loans from financial institutions**

The Company recorded short-term loans from financial institutions of 313.57 MB, increasing from the previous year, mainly due to the issued unsecured bill of exchange increase 100 MB, promissory notes increase 35 MB and trust receipts increase 39.84 MB for working capital.

As of December 31, 2016, the Company has bill of exchange amount to 200 MB, offering to a financial institution with interest rate 3.45% per annum for 4 month. The company used for working capital required for water treatment projects.

### **Trade payables-net**

The Company recorded trade payables of 104.33 MB, comprising of domestic trade payables of 30.32 MB and foreign trade payables of 74.02 MB. Average payment period was 47.30 days, decrease from the previous year with average payment period 66.28 days.

### **Liabilities under finance lease - net**

The Company's assets acquired under finance lease including water well drilling machines amount to 21.87 MB, equipment and vehicles amount to 5.61 MB. As of December 31, 2016 present value of long-term liabilities under finance lease was 24.71 MB which include liabilities under finance lease due within 1 year of 5.97 MB.

## **Shareholder's equity**

As of December 31, 2016, Shareholders' equity of the Company was 352.31 MB. In quarter 3/2016, the company issue and allot 40,499,996 new ordinary shares (at the par value of Baht 1) to the existing shareholders (Rights Offer) at a ratio of 4 existing shares to 1 new ordinary share, at an offer price of Baht 2 per share. The company has received the whole amount of money (more detail: the note 22 to the financial statements for year 2016) As of December 31, 2016, the company issued and paid-up share capital amount to 202.50 MB and premium on share capital were increase 40.15 MB. Retained earnings was decrease due to the resulting from net loss was 15.25 MB and decreasing by 35.64 million baht from dividend payment.

In 2016, the Company had debt-to-equity ratio of 1.74 times, increased from 1.07 times in 2015, due to the increase in liabilities.

## **Emphasis of matter**

Attention to the Note 31 to the financial statements for year 2016, during, the Company found the error due to un-recognition of change in the Company's ownership interest in subsidiary company (PD Genesis Engineering Co., Ltd). Therefore the Company made an adjustment by increasing the deficit from the change in the ownership interests in the consolidated financial statements amount to 1.54 million baht. As such, the consolidated statements of financial position as at December 31, 2015 and January 1, 2015, of the company which have been presented herewith for comparative purposes, have been restated for the effect of such adjustment.



## Liquidity Ratio

	2016	2015
Current Ratio (times)	1.44	1.58
Account Receivable Turnover (times)	7.41	6.61
Average Collection Period (days)	49.23	55.22
Account Payable Turnover (times)	7.72	5.51
Average payment period (days)	47.30	66.28
Inventory Turnover (times)	3.76	3.07
Average sales period (days)	97.11	118.79
Cash Cycle (days)	99.04	107.73

## Cash Flows

Cash Flows	Unit : Million Baht	
	December 31, 2016	December 31, 2015
Cashflow from (used in) operating activities	(238.14)	(23.21)
Cashflow from (used in) investing activities	(14.54)	(4.29)
Cashflow from (used in) financing activities	242.47	55.20
Net increase (decrease) in cash and cash equivalents	(10.21)	27.70
Cash and cash equivalents at the end of the period	48.85	59.14

The Company's net cash utilized in the operating activities was 238.14 MB, with operating profits prior to changes in the operating assets and liabilities of 77.30 MB. The major reason for the change was due to the trade and other receivables were increase 23.87 MB and unbilled receivables and prepaid expenses for the construction of the community water supply projects of 238.08 MB. However, trade and other payables were decrease by 26.09 MB.

Cash flow used in investment activities amounts to 14.54 MB to purchase equipment and other assets amount to 10.92 MB and Assets under water sales agreement amount to 6.70 MB. Meanwhile, cash flow received from sales of fix assets totals 1.56 MB and interests received of 0.74 MB.

Cash flow acquired from financing activities amounts to 242.47 MB from short-term loans were increased by 169.10 MB and loans from financial institution were increased by 50 MB. And cash flow received from increase in share capital amount to 80.65 MB. At the same time, loan repayment to financial institutions amounts to 12.55 MB and debt settlement according to financial lease of 3.93 MB, with an interest expense of 5.16 MB and dividend payment of 35.64 MB.

## Expected performance in 2017

Thai economy is expected to gradually expand, supported by economy-boosting government policies and government investment which has continued from the previous year. Production in various industries is seen to be spurred by domestic consumption. Export, which depends on global economy and global trade and, therefore, is impacted by multiple risk factors and instabilities, is also expected to increase. These are supporting factors for industry sector's product demand. Corporate sector's demand for SAFETY and CE products is expected to rise accordingly. With this prospect, the company aims at offering comprehensive services, developing expertise for its personnel, developing new products to seize market share, better serve existing customers, and expand into the customer base in which the company's market share is small, and increasing market share for the company's house brands.

The company still sees possibility for growth in its water solution business as it will be bolstered by continuing government policy on water management and the constant need for water treatment systems in industry sector. The company believes that, by virtue of its potential and determination, it will be able to develop personnel and working team to be experts in the business. Improvement in efficient project management and adjustment of internal processes will drive the company's water solution business to grow and create sustainable profits for the company in the future.

# 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. The Risk Management Committee had been monitoring the corporate risk management plan to effectively manage and control the risk at the acceptable level in accordance with the company's risk management policy. In addition, the policy was regularly reviewed to cover various risks. The details of risk management are as follows;

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

The company's products were imported directly from an overseas supplier. In 2014-2016, the company imported products accounted for 69%, 68%, and 75% 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. The company had considered the effects of the exchange rate and manages its risk by use forward contracts with financial institutions to protect itself against such risk, which covered all foreign trade payables for the period. As of December 31, 2016, the forward accounts stood at Baht 225 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 2014-2016 financials, where the profit (loss) from exchange rate was baht 2.06 million, baht (0.68) million and Baht 3.48 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 36% of the total sales revenue in 2016. 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 2016, the Company had its own brand of products is more than 300 items, representing revenues of approximately 12% of revenue from sales and services.

## 3. Risk from account receivables

The products distribution of the Company in 2014-2015 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 2014–2016 no doubtful accounts. 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, most of inventories are fast moving. 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 subsidiary**

##### **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. However, the operation of the subsidiary company has failed to meet the target so the Company has temporarily ceased its operations after the end 2016.

The Company had record of 6.77 million Baht for impairment reserve from the investment in Phol Dhanya (Cambodia) Co., Ltd., 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.

For the year 2016, the company had projects with the delayed completion against the contract. This could result in additional expenses such as penalties and overrun costs, approximately 22% of the project value. As the company has been aware of such issue, hedging was then focused by planning and scheduling the project based on the Critical Path Method (CPM) as well as regularly organizing meetings regarding in the construction plan such as a construction plan against the completion period in the contract and a risk management plan from situations that could reflect the delay. Moreover, the company has developed the reporting and follow-up systems to ensure that all situations were properly managed and promptly solved. There was also the cooperation and coordination with related parties to solve problems and complete a project as stated in the contract.

### 6.2 Risk of hiring a contractor and labor shortage

For the construction work, the company needs to rely on a contractor to carry out the project construction in which a contractor in each construction area would be selected for the cost management. In the past, some contractors had too many jobs leading to their labor shortage which has continuously been a problem for both domestic and foreign workers. Therefore, workers from agriculture sector were required, but they were such seasonal workers so that the shortage has always occurred in harvesting and festive periods. Consequently, the project could not be completed as planned as well as the wage rate would increase due to the higher working speed.

Hence, as the company has always been aware of such problem, construction and auction plans would be managed for the proper periods. Also, there would be the joint responsibilities between the company and contractor if there would be any penalty upon the delay of project. The proportion of responsibility would be 80:20 (the company: contractor). A contractor would also need to provide the Collateral or the Letter of Guarantee.

### 6.3 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 for a period of approximately 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.

## Securities and Shareholders Information

### 1. Registered capital and Paid-up capital

As of December 31, 2016, The Company's registered capital of Baht 250,999,978 divided into 250,999,978 common shares with a par value of Baht 1.00 per share and paid-up capital of Baht 202,499,982

Company doesn't issued other shares except ordinary shares.

### 2. Shareholders

Major shareholders of the company as of December 31, 2016 are as follows:

No.	Shareholders Name	No. of Shares	%
1	<b>Group of Wangthamrong Family</b>	<b>85,974,578</b>	<b>42.46%</b>
	- Mr. Chavalit Wangthamrong	25,812,055	12.75%
	- Miss. Thanthida Wangthamrong	19,431,379	9.60%
	- Mrs. Naowarat Wangthamrong (The persons under Section 258 of Mr. Chavalit Wangthamrong)	19,626,661	9.69%
	- Mr. Thanya Wangthamrong	15,097,433	7.46%
	- Miss. Thanatsiri Siriworasi (The persons under Section 258 of Mr. Thanya Wangthamrong)	5,280,000	2.61%
	- Mrs. Wannee Wangthamrong	727,050	0.36%
2	<b>Group of Jarutangtrong Family</b>	<b>39,066,250</b>	<b>19.29%</b>
	- Mr. Apichart Jarutangtrong	28,640,000	14.14%
	- Mrs. Ananya Jarutangtrong (The persons under Section 258 of Mr. Teeradej Jarutangtrong)	8,551,250	4.22%
	- Mr. Teeradej Jarutangtrong	1,250,000	0.62%
	- Mr. Prasert Jarutangtrong	625,000	0.31%
3	<b>Mr. Weerachai Dejamornthan</b>	<b>5,761,600</b>	<b>2.85%</b>
4	<b>Mr. Wiroj Tangsatapompong</b>	<b>3,637,500</b>	<b>1.80%</b>
5	<b>Group of Chunjajinda Family</b>	<b>3,597,991</b>	<b>1.78%</b>
	- Mr. Pornchai Chunjajinda	1,648,129	0.81%
	- Mrs. Saowanee Chunjajinda (The persons under Section 258 of Mr. Pornsak Chunjajinda)	875,646	0.43%
	- Miss Siriporn Chunjajinda	590,296	0.29%
	- Miss Sawanee Chunjajinda	315,338	0.16%
	- Mr. Pornsak Chunjajinda	168,582	0.08%
6	<b>Mr. Utain Pattanapol</b>	<b>3,100,000</b>	<b>1.53%</b>
7	<b>Thai NVDR Co., Ltd.</b>	<b>2,484,712</b>	<b>1.23%</b>
8	<b>Group of Vongtanakiat Family</b>	<b>1,934,425</b>	<b>0.96%</b>
	Mrs. Nanthiya Vongtanakiat (The persons under Section 258 of Mr. Pramuk Vongtanakiat)	1,778,175	0.88%
	Mr. Pramuk Vongtanakiat		
	Mr. Pramuk Vongtanakiat	156,250	0.08%

No.	Shareholders Name	No. of Shares	%
9	Mr. Surachai Fongamornkul	1,650,050	0.81%
10	Mr. Supot Arunwanichporn	1,500,000	0.74%
11	Other	61,257,551	30.25%
	<b>Total</b>	<b>202,499,982</b>	<b>100.00%</b>

### 3. Summary of Changes in Percentage of Shareholding of Directors and Executives

As of December 31, 2016

No	Name	December 31, 2015	December 31, 2016	Increase (Decrease)
<b>Directors</b>				
1	Prof. Dr. Pornchai Chunchachinda	1,288,000	1,648,129	360,129
2	Mr. Chavalit Wangthamrong	24,490,560	25,812,055	1,321,495
	Spouse and minor children	15,600,000	19,626,661	4,026,661
3	Mr. Teeradej Jarutangtrong	1,000,000	1,250,000	250,000
	Spouse and minor children	6,830,999	8,551,250	1,720,251
4	Assoc. Prof. Dr. Ekachidd Chungcharoen	24,000	30,000	6,000
5	Mr. Noppadol Dheerabutvongkul	24,000	30,000	6,000
6	Mr. Pramuk Vongtanakiat, M.D.	-	156,250	-
	Spouse and minor children	1,422,540	1,778,175	355,635
7	Mr. Santi Niamnil	-	-	-
8	General Chaiwat Satondee	198,600	248,250	49,650
9	Mr. Boonchai Suwanvutthiwat	-	-	-
10	Mr. Pornsak Chunchachinda	134,000	168,582	34,582
	Spouse and minor children	696,000	875,646	179,646
11	Mr. Thanya Wangthamrong	12,000,000	15,097,433	3,097,433
	Spouse and minor children	4,224,000	5,280,000	1,056,000
<b>Executives</b>				
1	Miss Prapaipit Viriyabhupha	600,000	750,000	150,000
2	Mr. Payotorn Mungthong	-	-	-
3	Miss Kamolphopphan Puapansakul	-	-	-

Note :

The EGM No. 1/2016 which was held on August 29, 2016 has passed a resolution to increase registered capital of the Company with the allotment of new ordinary to Company's existing shareholders proportionately to their shareholding (Rights Offering) at the subscription ratio of 4 existing shares to 1 new ordinary with offering price 2.00 Baht per share. Director and executives name list by book closing date has rights to subscribe such newly issue ordinary shares, "PHOL's new shares were trade on October 11, 2016.

#### 4. Distribution of Shareholding

The distribution of shareholding by Nationality as of December 30, 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	1,476	202,499,982	100	4	2,518,832	1.24	1,472	199,981,150	98.76
Foreign Shareholders	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1,476</b>	<b>202,499,982</b>	<b>100</b>	<b>4</b>	<b>2,518,832</b>	<b>1.24</b>	<b>1,472</b>	<b>199,981,150</b>	<b>98.76</b>

The distribution of shareholding by proportion of shareholders as of December 30, 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	%
Shareholders more than 0.5%	22	152,890,649	75.50	1	2,484,712	1.23	21	150,405,937	74.27
Shareholders less than 0.5% but not less than one unit trade	1,278	49,605,933	24.50	3	34,120	0.02	1,275	49,571,813	24.48
Shareholders less than one unit trade	176	3,400	0.00	0	0	0.00	176	3,400	0.00
<b>Total</b>	<b>1,476</b>	<b>202,499,982</b>	<b>100</b>	<b>4</b>	<b>2,518,832</b>	<b>1.25</b>	<b>1,472</b>	<b>199,981,150</b>	<b>98.75</b>

Note : 1) The distribution data prepared by TSD, in case of multiple accounts and/or principle address will count as one shareholder.  
2) Refer Article of Associations shareholders ratio for foreigner not exceeding 49% of the existing shares and paid-up capital.

#### 5. Shareholders' Agreement regarding significant matters which shall be affected the securities holding and management.

- None -



## 6. 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 Chunchajinda	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%

## 7. Other Securities

- **Warrants to Purchase the Ordinary Shares of Phol Dhanya Public Company Limited No.1 to be allotted to Existing Ordinary Shareholders of the Company (PHOL-W1)**

The Extraordinary General Meeting of Shareholder No. 1/2016 which was held on August 29, 2016 has passed a resolution to increase registered capital of the Company with the allotment of new ordinary share not exceeding 40,499,996 shares at par value of Baht 1.00 to Company's existing shareholders proportionately to their shareholding (Rights Offering) at the subscription ratio of 4 existing shares to 1 new ordinary shares. The Offering price of the newly issued ordinary shares is 2.00 Baht per share. The issuance and offering of the warrants to purchase the Company's ordinary shares No. 1 with the allotment of new ordinary share not exceeding 40,499,996 shares to the Company's existing shareholders who subscribe for the capital increase ordinary shares proportionately to their shareholding (PHOL-W1). The warrants shall be offered to the existing shareholders who have subscribed for and been allocated the newly issued ordinary shares of the Company at an offering ratio of 1 new ordinary share to 1 unit of the warrants. Details of PHOL-W1 are as follow;

Type of the warrants	Warrants to purchase ordinary shares of Phol Dhanya Public Company Limited No. 1 offered to the existing shareholders who have subscribed for and been allocated the shares
Category of the warrants	Named and transferable warrants to purchase the Company's ordinary shares
Term of the warrants	2 years from the issue and offering date
Number of warrants issued and offered	40,499,996 units
Number of underlying shares	40,499,996 shares
Issuance date:	November 1, 2016
Expiration Date:	October 31, 2018
Exercise Ratio:	1 unit of Warrant : 1 new ordinary shares
Exercise Price:	Baht 3.00 per share
Exercise Period and Period for the Notification of the Intention to Exercise the Right :	On the last Business Day of every April and October of each year throughout the term of the Warrants. The Warrant Holders shall declare the intention to exercise the rights within 5 Business Days prior to each Exercise Date.

### Summary of PHOL-W1 holding of Directors and Executives

As of December 31, 2016

No	Name	No. of Allocated Warrants (Units)	December 31, 2016	Increase (Decrease)
1	Prof. Dr. Pornchai Chunhachinda	338,129	-	(338,129)
2	Mr. Chavalit Wangthamrong	6,321,495	-	(6,321,495)
3	Mr. Teeradej Jarutangtrong	250,000	250,000	-
4	Assoc. Prof. Dr. Ekachidd Chungcharoen	6,000	6,000	-
5	Mr. Noppadol Dheerabutrpongkul	6,000	6,000	-
6	Mr. Pramuk Vongtanakiat, M.D.	31,250	-	(31,250)
7	Mr. Santi Niamnil	-	-	-
8	General Chaiwat Satondee	49,650	49,650	-
9	Mr. Boonchai Suwanvutthiwat	-	-	-
10	Mr. Pornsak Chunhajinda	34,582	82	(34,500)
11	Mr. Thanya Wangthamrong	3,097,433	2,750,033	(347,400)
12	Miss Prapaipit Viriyabhupha	150,000	150,000	-
13	Mr. Payotorn Mungthong	-	-	-
14	Miss Kamolphopphan Puapansakul	-	-	-

Note : The decreased unit of PHOL-W1, due to sold out the such warrants as of December 31, 2016

- Warrants to purchase ordinary shares of Phol Dhanya Public Company Limited No.1 to be allotted to Board of Director and employee of the Company (PHOL ESOP-Warrant)**

The Company issue and allocate warrants to purchase ordinary shares of Phol Dhanya Public Company Limited No.1 to Board of Director and employee of the Company and its subsidiaries (PHOL ESOP-Warrant) to motivate the directors and employees of the Company and its subsidiaries to engage in the Company's success and reward them for their hardworking and dedication to the Company in the long term, and as a means of retaining the talented and competent staff members which will ultimately benefit the Company. The Extraordinary General Meeting of Shareholders No. 1/2016 held on August 29, 2016 passed the resolution to approve the issuance and offering of the ESOP warrants. Details of ESOP-warrants are as follows;

Type of the warrants	Warrants to Purchase the Ordinary Shares of Phol Dhanya Public Company Limited Issued to Directors and Employees of the Company No.1 (ESOP-Warrant)
Category of the warrants	Registered certificate and non-transferable warrants
Term of the warrants	3 years from the issue and offering date
Number of warrants issued and offered	8,000,000 units
Number of underlying shares	8,000,000 shares
Issuance date:	December 1, 2016
Expiration Date:	November 30, 2019
Exercise Ratio:	1 unit of Warrant : 1 new ordinary shares
Exercise Price:	Baht 3.00 per share
Exercise Period and Period for the Notification of the Intention to Exercise the Right:	<ul style="list-style-type: none"> <li>- First lot: November 30, 2017 exercise 30% of all Warrants allocated</li> <li>- Second lot: November 30, 2018 exercise 30% of all Warrants allocated</li> <li>- Third lot: November 29, 2019 exercise 40% of all Warrants allocated</li> </ul>

# 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	2016	2015	2014	2013	2012	2011
Interim Dividend (Baht)	0.10	0.08	0.08	0.13	0.11	0.10
Annual Dividend Payment (Baht)	-	0.12	0.12	0.10	0.13	0.10
Stock Dividend	-	-	-	5 Existing share : 1 Stock dividend or 0.20 Baht	-	-
Earnings per share (Baht)	(0.08)	0.21	0.24	0.38	0.24	0.21
Dividend Payout (%)	-	94.42%	83.39%	114.39%	71.32%	93.54%

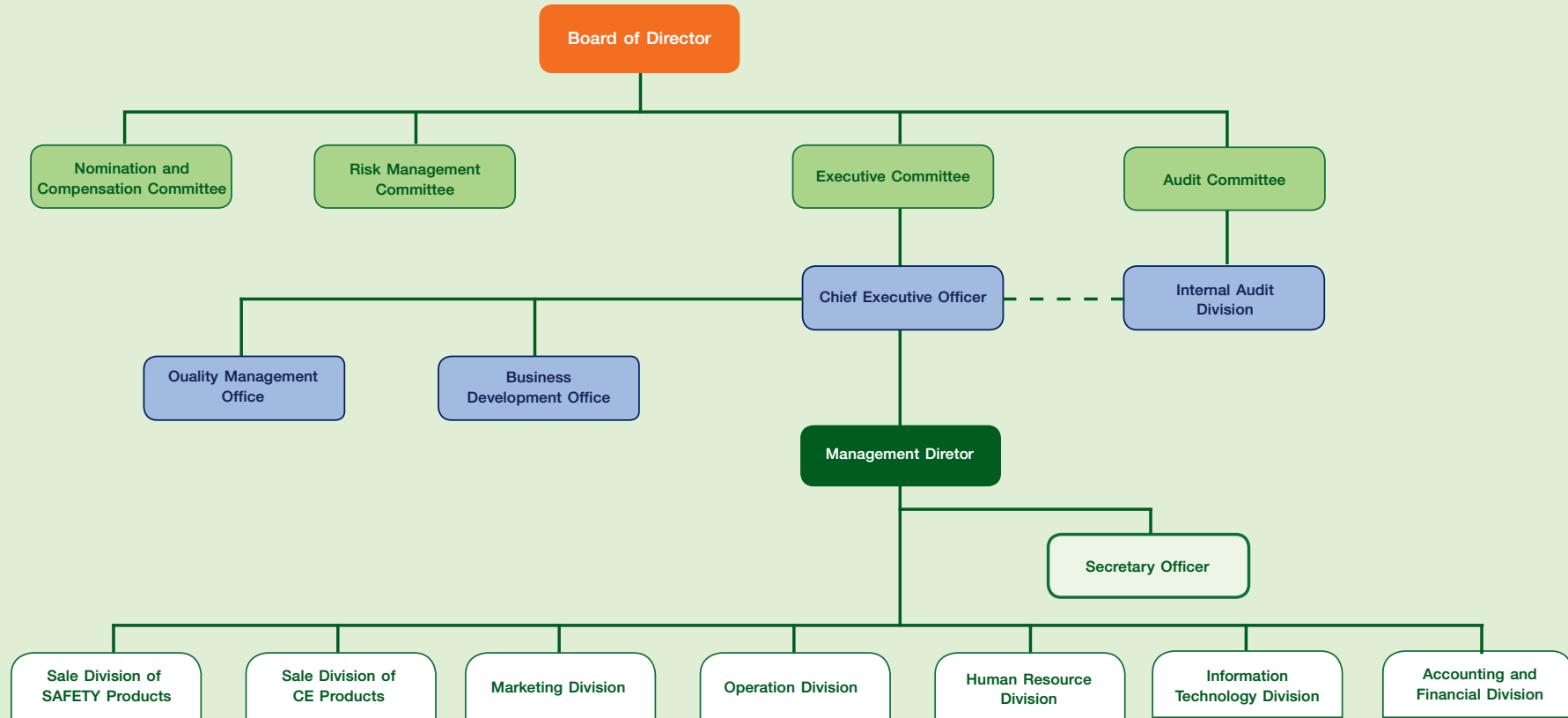
## Dividend payment policy of its subsidiaries

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.



# Organization Chart

(at present)



# 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  $\frac{3}{4}$  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.

The Board of Directors comprises eleven (11) members as follows:

No.	Name	Position	Type	Start Date
1	Prof. Dr. Pornchai Chunhachinda	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. Ekachidd Chungcharoen	Independent Director	Independent Director	September 12, 2007
5	Mr. Noppadol Dheerabutrongsul	Independent Director	Independent Director	September 12, 2007
6	Mr. Pramuk Vongtanakiat , M.D.	Independent Director	Independent Director	January 13, 2014
7	Mr. Santi Niamnil <sup>1</sup>	Independent Director	Independent Director	May 10, 2016
8	General Chaiwat Satondee	Director	Director	October 12, 2015
9	Mr. Boonchai Suwanvutthiwat	Director	Executive Director	April 30, 2013
10	Mr.Pornsak Chunhajinda <sup>2</sup>	Director	Executive Director	April 26, 2016
11	Mr.Thanya Wangthamrong <sup>2/3</sup>	Director	Executive Director	April 30, 2013

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

Note:

<sup>1</sup> No. 7 Mr. Santi Niamnil was appointed as Director to replacement of Assoc. Prof. Dr. Seksak Jumreornvong who resigned on April 30, 2016, according to the resolution of the Board of Directors meeting No.5/2016 on May 12, 2016

<sup>2</sup> No. 10 Mr.Pornsak Chunhajinda and No. 11 Mr.Thanya Wangthamrong were appointed as new Director, according to the resolution of the 2016 AGM on April 26, 2016

<sup>3</sup> No. 11 Mr.Thanya Wangthamrong use to appoint as Director on April 30, 2013 and 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. Ekachidd Chungcharoen <sup>4</sup>	Chairman of Audit Committee/ Independent Director
2	Mr. Noppadol Dheerabutrongsakul	Audit Committee/ Independent Director
3	Mr. Santi Niamnil <sup>5</sup>	Audit Committee/ Independent Director

Audit Committee No.2 has adequate knowledge and experience to review reliability of the Company's financial statements. And Miss. Natchomkorn Puapunsakul is an Audit Committee's secretary.

Note :

<sup>4</sup> No. 1 Assoc. Prof. Dr. Ekachidd Chungcharoen was appointed as Chairman of Audit Committee to replacement of Assoc. Prof. Dr. Seksak Jumreornvong who resigned on April 30, 2016, according to the resolution of the Board of Directors meeting No.5/2016 on May 12, 2016

<sup>5</sup> No. 3 Mr. Santi Niamnil was appointed as Audit Committee to replacement of Assoc. Prof. Dr. Seksak Jumreornvong who resigned on April 30, 2016, according to the resolution of the Board of Directors meeting No.5/2016 on May 12, 2016

### 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. 2/2017, held on February 28, 2017, 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 and give comments on preventive anti-corruption measures in line with the company's anti-corruption policy. Make sure that these measures are efficient and effective.
6. To verify the Company's risk management.
7. 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.

8. 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.
9. To carry out any other tasks assigned by the Board of the Director as approved by the Audit Committee.
10. To review the Charter of the Audit Committee as necessary and appropriate at least once a year.
11. 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:

Miss Siriporn Ondee is a Nomination and Compensation Committee's secretary.

No.	Name	Position
1	Mr. Noppadol Dheerabutrungkul <sup>6</sup>	Chairman of Nomination and Compensation Committee
2	Assoc. Prof. Dr. Ekachidd Chungcharoen	Nomination and Compensation Committee
3	Mr. Chavalit Wangthamrong	Nomination and Compensation Committee

Note:

<sup>6</sup> No. 1 Mr. Noppadol Dheerabutrungkul was appointed as Chairman of Nomination and Compensation Committee to replacement of Assoc. Prof. Dr. Ekachidd Chungcharoen who resigned from the position of Chairman of Nomination and Compensation Committee, according to the resolution of the Board of Directors meeting No.5/2016 on May 12, 2016

#### 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. 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 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:

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

No.	Name	Position
1	Mr. Teeradej Jarutangtrong	Chairman of Risk Management Committee
2	Mr. Boonchai Suwanvuttiwat	Risk Management Committee
3	Mr. Pornsak Chunchajinda	Risk Management Committee
4	Asst.Prof.Dr.Suluck Pattarathammas <sup>17</sup>	Risk Management Committee
5	Mr. Pramuk Vongtanakiat , M.D. <sup>18</sup>	Risk Management Committee /Independent Director

is a Risk Management Committee's secretary.

Note:

<sup>17</sup> Asst. Prof. Dr. Suluck Pattarathammas was appointed to be Risk Management Committee-external scholar, effective on February 10, 2014.

<sup>18</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. 10/2016, held on October 21, 2016, 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:

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

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

### **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. Scope of 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

Management Team<sup>/9</sup> comprises six (6) members as follows:

No.	Name	Position
1	Mr. Boonchai Suwanvutthiwat	Chief Executive Officer
2	Mr. Pornsak Chunhajinda <sup>/10</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 Kamolphopphan Puapansakul <sup>/11</sup>	Chief Internal Audit Officer
6	Mr. Thanya Wangthamrong	Chief Marketing Officer

Note :

<sup>/9</sup> 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 4, 2016 consist of those who have been selected to serve on various functional areas of management.

<sup>/10</sup> No.2 Mr. Pornsak Chunhajinda was appointed as Managing Director, according to the resolution of the Board of Director meeting No.1/2016 held on January 18, 2016.

<sup>/11</sup> No. 5 Miss Kamolphopphan Puapansakul, formerly name is Miss Natchomkorn Puapansakul

### 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 cohere 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, cheque 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:				
5.1 Investment Project	Over 10 MB.	Not over 10 MB.	Not over 5 MB.	Not over 1 MB.
5.2 Investment/Joint venture for Subsidiaries Company	Authority of the 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 (2<sup>nd</sup> 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 (5<sup>th</sup> 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 allows 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.

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. neither 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 is 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:

- 1) Manner of the business relationship or professional service causing the said person not being qualified under the prescribed criteria;
- 2) Reason and necessity to maintain or to appoint the said person as the independent director;
- 3) 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.

### **Additional information related to the Company’s directors and executives**

In 2016, 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.

## 8 Compensating of Directors and 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:

### 8.1 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, responsibilities, 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

### 8.2 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)

### 8.3 Compensation

#### Monetary compensation

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 2013 published by Thai Institute of Directors, as well as practices of other companies in the same industry. In 2016, 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-Committees 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 2016, 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 2015

Nonetheless, meeting attendance fees and directors' bonuses combined must not exceed 6 million Baht.

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.

**3. Other Compensation -None-**

In 2016, the total amount of directors' compensation is 4,125,000 Baht, comprising of meeting attendance fees of 3,315,000 Baht and directors' bonus in 2015 of 810,000 Baht. The total amount does not exceed the budget of 6 million Baht as regulated by the resolution of the Annual General Meeting of Shareholders 2016 held on April 26, 2016.

In 2016, the Company had loss on operation results. The Board of Directors has determined that omit to pay director's bonus 2016.



Details on the Meeting attendance and compensation are as follows:

2016									
No.	Name	No. of Meeting Attendance					Meeting Allowance	Director's Bonus <sup>17</sup>	Total
		Board of Director	Audit Committee	Nomination and Compensation Committee	Risk Management Committee	Executive Committee	(Baht)	(Baht)	(Baht)
1	Prof. Dr. Pornchai Chunchachinda	12/12	-	-	-	-	270,000	127,895	397,895
2	Mr. Chavalit Wangthamrong	12/12	-	2/2	-	12/12	420,000	85,263	505,263
3	Mr. Teeradej Jarutangtrong	12/12	-	-	6/7	-	288,000	85,263	373,263
4	Asso. Prof. Dr. Ekachidd Chungcharoen	12/12	6/6	2/2	-	-	306,000	85,263	391,263
5	Mr. NoppadolDheerabutvongkul	11/12	6/6	2/2	-	-	261,000	85,263	346,263
6	Mr. Pramuk Vongtanakiat , M.D.	12/12	-	-	7/7	-	264,000	85,263	349,263
7	Mr. Santi Niamnil <sup>/12</sup>	7/7	3/3	-	-	-	141,000	-	141,000
8	General Chaiwat Satondee <sup>/13</sup>	12/12	-	-	-	-	180,000	21,316	201,316
9	Mr. Boonchai Suwanvutthiwat	12/12	-	-	7/7	12/12	408,000	85,263	493,263
10	Mr. Pomsak Chunchachinda <sup>/14</sup>	8/8	-	-	7/7	12/12	348,000	-	348,000
11	Mr. Thanya Wangthamrong <sup>/15</sup>	8/8	-	-	-	-	264,000	63,947	327,947
12	Asst.Prof.Dr.Suluck Pattarathammas	-	-	-	7/7	12/12	84,000	-	84,000
13	Assoc. Prof. Dr. SeksakJumreornvong <sup>/16</sup>	3/4	2/2	-	-	-	81,000	85,263	166,263
<b>Total</b>							<b>3,315,000</b>	<b>810,000</b>	<b>4,125,000</b>

Note :

<sup>/12</sup> No. 7 Mr. Santi Niamnil was appointed as Director to replacement of Assoc. Prof. Dr. Seksak Jumreornvong who resigned on April 30, 2016, according to the resolution of the Board of Directors meeting No.5/2016 on May 12, 2016. Firstly, attendance Board of Directors meeting No.6/2016 in June.

<sup>/13</sup> No. 8 General Chaiwat Satondee was appointed as Director at the Board of Directors meeting No.6/2015 on October 12, 2015

<sup>/14</sup> No. 10 Mr.Pomsak Chunchachinda was appointed as new Director, according to the resolution of the 2016 AGM on April 26, 2016. Firstly, attendance Board of Directors meeting No.5/2016 in May.

<sup>/15</sup> No. 11 Mr.Thanya Wangthamrong use to appoint as Director on April 30, 2013 and resigned on September 11, 2015 and was appointed as new Director, according to the resolution of the 2016 AGM on April 26, 2016. Firstly, attendance Board of Directors meeting No.5/2016 in May.

<sup>/16</sup> No. 13 Assoc. Prof. Dr. SeksakJumreornvong resigned from the position of Director, effective on May 1, 2016.

<sup>/17</sup> Bonuses for directors for the year 2015 was paid on May 2016 according to the resolution of 2016 AGM held on April 26, 2016

- b) The compensation of executives in the form of salaries and bonuses for the company and its subsidiaries are as follows:

In 2016, the Company has paid monetary compensation to 6 top executives of the Company and its subsidiaries, totaling 11.18 million Baht.

Unit: million baht

Executive Compensation	2016		2015	
	No. of person	Amount	No. of person	Amount
Salary	6	8.64	6	8.21
Bonus and Management Fee	6	2.12	6	2.28
Contribution to Provident Fund	6	0.42	6	0.41
<b>Total</b>		<b>11.18</b>		<b>10.90</b>

In 2016, The Company has granted to issue and allocate warrants to purchase ordinary shares of Phol Dhanya Public Company Limited to Board of Director and employee of the Company and its subsidiaries (ESOP-Warrant) with no value for the purposed of motivated and engage in the company's success and rewards them for their hard working and dedication in long term and to motivated talented and competent staffs work for the Company in the long term.

List of Directors and Executives who have been allocated ESOP-Warrants are as follows:

No.	Name	Position	No. of Allocated ESOP-Warrants (Units)	% of issuing and offering
<b>Board of Director</b>				
1	Prof. Dr. Pornchai Chunhachinda	Chairman of The Board	114,290	1.43%
2	Mr. Chavalit Wangthamrong	Director	114,285	1.43%
3	Mr. Teeradej Jarutangtrong	Director	114,285	1.43%
4	Assoc. Prof. Dr. Ekachidd Chungcharoen	Independent Director	114,285	1.43%
5	Mr. Noppadol Dheerabutrvongkul	Independent Director	114,285	1.43%
6	Mr. Pramuk Vongtanakiat , M.D.	Independent Director	114,285	1.43%
7	General Chaiwat Satondee	Director	114,285	1.43%
<b>Executive</b>				
1	Mr. Boonchai Suwanutthiwat	Director/ Chief Executive Officer	400,000	5.00%
2	Mr. Pornsak Chunhachinda	Director/Managing Director	400,000	5.00%
3	Miss Prapaipit Viriyabhupha	Chief Operation Officer	290,434	3.63%
4	Mr. Payotorn Mungthong	Chief Sales Officer	272,286	3.41%
5	Miss Kamolphopphan Puapansakul	Chief Internal Audit Officer	270,565	3.38%
6	Mr. Thanya Wangthamrong	Director/Chief Marketing Officer	219,240	2.74%
<b>Supervisor staffs</b>			<b>5,347,475</b>	<b>66.85%</b>
<b>Total</b>			<b>8,000,000</b>	

## 9. Personnel

Number of personnel of the Company and its subsidiaries as of 31 December 2016 amounts to total 224 as follows:

Department	No. of Personnel	
	2016	2015
1. Management	6	6
2. Internal Audit	1	0
3. Quality Management	2	2
4. Secretary Office	3	3
5. Sales	76	82
6. Operating	43	48
7. Accounting and Finance	19	20
8. Marketing	16	15
9. Human Resource	7	6
10. Information Technology	5	5
<b>Personnel of the Suusidiaries</b>		
Phol Palladium Co. Ltd.	6	8
Phol Water Co., Ltd.	37	19
Pholdhanya (Cambodia) Co., Ltd.	3	5
<b>Total</b>	<b>224</b>	<b>219</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 2016, the Company provided monetary compensation and non-monetary compensation for 103.75 million baht and in 2015, the Company provided such compensation for 95.08 million baht.

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

In 2016, 61 employees left the Company and 66 new employees joined the Company

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

**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 Sustainability Report 2016

# Corporate Governances

## 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. Thus annually reviews the Company’s corporate governance policy is to ensure that they are up-to-date to business environment and the Company’s strategies, and in compliance with changing rules and regulations based on The best practice of The Exchange of Thailand (SET) and criteria of the Securities and Exchange Commission and ASEAN CG Scorecard, and to prescribing the corporate governance policies in writing in order to serve as effective guiding practices for directors, executives and staff members.

## Compliance with Corporate Governance Policy (CG Policy)

The Board of Director’s meeting No. 7/2016 dated 20 July, 2016 has resolved the revision of CG Policy, that important section “Board’s responsibilities” as follow:

- The Board’s meeting the quorum is met only when the total number of director attending the Board of Director’s meeting is not less than two-thirds of the total number of directors and it is encouraged that directors’ attendance record shall not be less than 75% of the total meeting for the whole year. 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, the majority voting shall be comply to the Company’s Articles of Association.
- The Board’s has prescribed the policy of the assumption of the director position more than 5 other listed companies and 5 subsidiaries company in order to enhance company’s effectiveness, and also for high level executive/Chief Executive Officer delegated the director’s position in the subsidiaries or affiliates according the shareholding proportions or as assigned by the Board of Directors.

In 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 against bribery of good practice; corporate governance policy. To modify the certify processing of the Collective Action Coalition against Corruption (CAC: Private Sector Collective action Coalition against Corruption) to build up all stakeholder’s confidence.

The Board of Director’s meeting no. 4/2016 dated April 18, 2016 has reviewed the Business Code of Conduct of the Company and its subsidiaries to be consistent with the business, co-operate with all groups of companies, directors, executives, employees and stakeholders concerned and commitment for long-term value creation for sustainable growth.

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, by intranet for internal communication to all employee.

The Company has 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. This regards directors, executives, and employees of Phol Dhanya Pcl. and its subsidiaries consistently comply with such policy and constantly monitor the compliance results.

In 2016, there was no issue or non-compliance situation with the aforesaid policy.

In 2016, with its devotion to strictly and strong commitment to comply with the good corporate governance, PHOL has resulted achievement of good corporate governance assessment and awards for its CG recognition as follows:

- ▶ The Company was given a score of 100% or “Excellent” 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 2016, The Company was received one of 80 Listed Companies awarded “Excellent CG Scoring” or “5 Stars” according to the Corporate Governance Report of Thai Listed Companies 2016, the Survey of Corporate Governance assessment of total 601 Listed Companies, an overall average score of 78 percent, as well as 1 of the 22 Top Quartile Listed Companies by lower than 1,000 MB. Market Capitalization.
- ▶ The Company was certified as a member of the Collective Action Coalition against Corruption (CAC) dated October 14, 2016 by The CAC Committee.
- ▶ The Company has shared its experience, development of good corporate governance practice to the delegation from Cambodian’s Securities and Exchange Commission regulator with co-operation of SEC and SET of Thailand.

The Company’s Board of Directors is certain that strictly 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 2016, the Company was monitored and prepared this report to update company’s good corporate governance which can be summarized 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 which 2016, the Company held the Extraordinary General Meeting of Shareholders no.1/2559 on August 29, 2016 at Company's conference room, resolved to issued capital increased amounts Baht 88,999,992.00 from the existing capital for the purposed of; 1) Issuance and offering of new ordinary shares to existing shareholders proportionally (Right Offering) 2) Issuance and offering of the warrants to purchase the Company's ordinary shares No. 1 to be allocated to the existing shareholders of the Company who subscribe the newly issued ordinary shares in proportion to their shareholding (PHOL-W1) and 3) Issuance and allotment of warrants to purchase ordinary shares of the Company to directors and employees (ESOP-Warrant) (Please refer to the annual report for the year 2016 Section "Securities and Shareholders Information")

In 2016, the Company administered annual general shareholders' meeting on April 26, 2016 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, Independent directors and executive to attended the meeting (100%). In the shareholders meeting, the company was arranged in accordance with AGM Checklist issued by Thai Investors Association and Listed Company Association, for reliability, transparency, check-balance according to the mission assigned by the Securities and Exchange Commission (SEC) as individual shareholders representative organization, as 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 2016 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 26 days (since April 4, 2016) 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 25, 2016 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 2016 90 days ahead of time, from October 1, 2016 to December 31, 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 22, 2016 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 2016, 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.
  - Transportation service provided to taking care the shareholders to the shareholders' meeting (BTS-PHOL)
  - 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 refrain 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 accounting auditor and identification of remuneration features a list of nominated individuals deemed appropriate to be the accounting 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 "Dherakupt Law Office Co., Ltd." and the accounting auditor "ANS Audit Co., Ltd." and other volunteered shareholders all 3(three) 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.

For the AGM 2016, after finished the meeting there were 16 shareholders to attend the meeting in person and 24 shareholders by proxies, representing 113,600,939 shares, which accounted for 70.1240 percent of the total issued shares. In 2015, there were 49 shareholders to attend the meeting, representing 114,606,496 shares 70.7448 percent of the total issued shares.

#### **After the Meeting**

1. The Company prepares the minute of general shareholders' meeting 2016, which was held on April 26, 2016, 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 10, 2016, 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 gather feedbacks for future improvements 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 2016, 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 2016 using the Company's evaluation form. The satisfaction rating is 100% same as last year.

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

In 2016, the company was not arranged the site visit activity after the shareholders meeting, due to timely limitation and shareholders' convenience. However, before the meeting, the company granted this opportunity to meet with the executives for better understanding of the business operation and provided marketing officer to demonstration products feature or equipment and service details as their appropriate.

(For details on the Company's treatment towards stakeholders, please refer to Section 3 "Roles of Stakeholders" and "Sustainability Report 2016")

## Section 2 : 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 1, 2016 to December 31, 2016. Criteria and processes are available on the Company’s website, in the “Investor Relations” topic, Corporate Governance/Information for Shareholders/AGM 2016 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 preserved the rights of all shareholders and no agenda item would be added at the shareholders’ meeting without prior notice to ensure that the shareholders had adequate information at ahead of time in order to make any decisions.
3. The Company encourages shareholders to use the proxy (Form B) 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 had the rights to vote a director by individually, according to the number of shares on a “one share one vote” basis and no share had any privilege which overran the rights of other shareholders. For minority shareholders can also express an opinions or file complaints to independent directors via 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. (refer to the Company’s Complaint Manual)
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 strictly established guidelines on prevention of improper use of internal information in the corporate governance policy in writing for prohibiting directors, executives and staff members to prevent an improper use of internal information to illegally benefit oneself or others or cause any damages to shareholders unless it has been published to the general public. (Please refer to the annual report Section 4. Disclosure and Transparency “Monitoring the Use of Internal Information”).
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 notice letter invitation. In 2016, there were no reports of connected transactions (Please refer to the annual report “Procedures of the Approval of the Related Transaction”).

### Section 3 : 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. With respect the employee care by organized employee relations activities to ensure that engagement towards the company, employee satisfaction evaluation twice a year and results for activities development, supports its people to continuously enhance knowledge and capabilities through internal and external training, relevant knowing sharing including Kaizen principles as a tool to improve work processing for standardization and valuable their work.

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 are displayed on section "Corporate Social Responsibilities" which appears on "Sustainability Report 2016".

## 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 (MD&A) by quarterly/yearly basis, 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 Board of Directors 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 adopted appropriate accounting policies and consistently. Used carefully discretion, disclosed in reasonable reporting is sufficiently disclosed in the notes to financial statements. The BOD reports responsibilities of the BOD to financial statements alongside with the auditor's report for the benefit of shareholders and investors. The sub-committees' report their operating in the past year, propose to the shareholders in the company's 2016 annual report.

In 2016, 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 (amendment) 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:

#### 4.1 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.

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.

Herewith published on the company's website (website: [http://www.pdgth.com/ir\\_index.php/corporate\\_governance/cg\\_principle/guidelines\\_on\\_conflict\\_of\\_interest](http://www.pdgth.com/ir_index.php/corporate_governance/cg_principle/guidelines_on_conflict_of_interest))

In 2016, the Company did not engage in activity that violates or is inconsistent with criteria of related transactions specified by the SEC and the SET.

#### **4.2 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 2016, 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 by quarterly basis, exceptional of securities holding had been changed of directors and executives (including related person) the increasing due to the increase of shareholding in proportion to the existing shareholders during the year 2016, whereas the capital increased was registered on October 7, 2016. In addition, the Company also provided the summary of directors and executives' holding of the company's securities as of December 31, 2016 as shown under Section "Shareholder Structure".

#### **4.3 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 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. (amendment) 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 punish 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.

Herewith published on the company's website (website: [http://www.pdgth.com/ir\\_index.php/corporate\\_governance/cg\\_principle/internal\\_information\\_control\\_policy](http://www.pdgth.com/ir_index.php/corporate_governance/cg_principle/internal_information_control_policy))

#### 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 section Investor Relation ([http://www.pdgth.com/ir\\_index.php/corporate\\_governance/anti-corruption\\_policy\\_and\\_guidelines](http://www.pdgth.com/ir_index.php/corporate_governance/anti-corruption_policy_and_guidelines))

##### Whistle Blowing and Notice of Complaint

1. Electronic mail : The Audit Committee

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

2. Mailing directly to:

The Audit Committee through Chief Internal Audit Officer

Channels	Electronic mail	Telephone
Board of Director	<a href="mailto:cs@pdgth.com">cs@pdgth.com</a>	02-7910111 ext.151
Audit Committee *	<a href="mailto:ind_dir@pdgth.com">ind_dir@pdgth.com</a>	02-7910111 ext.115
Independent Director	<a href="mailto:ind_dir@dgth.com">ind_dir@dgth.com</a>	02-7910111 ext. 115
Company Secretary	<a href="mailto:cs@pdgth.com">cs@pdgth.com</a>	02-7910111 ext.151

##### Mailing address:

Phol Dhanya Public Company Limited.

No. 1/11 Moo. 3, Lamlukka Road, Ladsawai, Lamlukka, Pathumthani 12150

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

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

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 or Email : cs@pdgth.com

The Company Secretary is responsible for receiving documents sent to the Board and then forwarding them to relevant committees or directors. Issues and recommendations will be summarized and submitted to the Board on quarterly basis, except for documents addressing the Audit Committee which will be directly forwarded to the Audit Committee without screening. In accordance with the guidelines to Anti-Corruption Policy of the Company and its subsidiaries.

However, the Company has monitored whistle blowing reports or complaints lodged through channels provided. In 2016, there were no event indications of corruption base on review investigating report of Internal Audit.

#### **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. 12/2016, dated December 19, 2016 had appointed General Chaiwat Satondee as Director of the subsidiary company "Phol Water" added position of The Chairman of Phol Water Co., Ltd. replaced Mr. Chavalit Wangthamrong which remains a Director of Phol Water Co., Ltd. to be used his more experience and maximum benefit to the company.

#### **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), Investor Relation menu, in order to equally keep all stakeholders informed.

The Company also emphasizes on information disclosure via investor relations activities. The executives have participated in the activities by presenting information and meeting with investors in order to create a good understanding towards the Company's management, good relationship with investors as well as encourage continuous exchange of opinions. The main activities as follows:

IR Activities	No. of Activities in 2016 (time)
• Opportunity Days through SET's channel	2 (March and August)
• Exhibition "mai Forum 2016" present company's products and services to public investors, corporate by mai and Co-Host of Listed Company mai Association.	1 (July)
• Summary Company Snapshot by Quarterly basis, under the Project mai Company Snapshot by mai	4
• Executives Interviewed overview of business operation and future trend via online media	1
• Analyst Meeting	1
• Press Release, Trend of business, Operating results and the Company's image through mass media	continuous
• Thanks Press and organized Press conference by annual plan	1 (February)
• Welcome the shareholders and investors for the meeting (AGM 2016 and EGM No. 1/2016)	2

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.

The Board of Director had prescribed Investor Relations Ethics as a guideline for oversight practices Section 4: "Equitable Treatment of Shareholders and Disclosure and Transparency" which shown on the Company's website: [www.pdgth.com](http://www.pdgth.com) "Investor Relation"

## Section 5 : 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, Strategy and collaborating with the top executives in making operating plans, both short-term and long-term cover the overview of Corporate Governance Policy, Internal Control system, Risk Management as well as review monitoring and evaluate the management performance in according strategic plan.

In 2016, the Board of Directors is formed of 11 directors; comprising of 4 independent directors, 2 non-executive director and 5 executive directors. The number of independent directors is one-third of the total number of directors comply to SEC's regulations, counted 36.36% of the total number of directors. The names and definition of independent director are explained in the Annual Report 2016, under Section "Management Structure".

During the year, Assoc. Prof. Dr. Seksak Jumreornvong, Independent Director and Chairman of the Audit Committee, resigned from his position as an independent director in which this also resulted in the termination of the subcommittee. The Board of Directors, also presented to the Nomination and Compensation Committee, considered the qualified person in accordance with the criteria and followed the nomination process. Therefore, Mr. Santi Niamnil was appointed as an Independent Director and the Audit Committee for the rest of his term. He has the experience in audit committee as well as has no issue prohibited under the public law. Moreover, Assoc. Prof. Dr. Ekkachidd Chungcharoen, Independent Director, was appointed to be the Chairman of the Audit Committee, and Mr. Noppadol Dheerabutrongsul, Independent Director was appointed as the Chairman of the Nomination and Remuneration Committee to replace the current vacancy.

### **Leadership and Vision**

The Board of Directors has the significant role in defining vision, strategy, and goals of organization for the sustainable growth. In the Boards' meeting no. 12/2016 on 20 December 2016, the Company's vision and mission was reviewed with the top management, as well as the 3-year strategy and corporate goals for the year 2017-2019. The vision and mission remained the same as "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". Suggestions upon business operations as well as the organization's success index for the year 2017 were also provided for the management to plan the long-term strategy and to approve the 2017 Annual Plan. The Board of Directors considered that there would be impacts from the progress and development of information technology on operations if the organization structure would be changed during this period. However, it would help reduce the working processes and reporting system but enhance the effectiveness of decision making process and coordination. Consequently, in 2017, the company would focus on information technology system to develop the core business operating process to for the sustainable growth for customers, partners and all stakeholders.

In the Board Meeting No. 1/2017 held on 23 January 2017, the Board of Directors also allowed the middle management to express their vision and goals of each division to understand, participate, and inspire all executives to achieve their corporate objectives in the same direction.

In the Board meeting held on June 20, 2016, the orientation for those 3 new directors, namely Mr. Pornsak Chunhajinda, Mr. Thanya Wangthamrong and Mr. Santi Niamnil, was arranged in accordance with good corporate governance guidelines of the company including welcome speech and official introduction of as well as handing over the director's handbook to new directors 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. (More details of the Board's responsibilities have been disclosed at the annual report under Section "Management Structure").

### 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. Mr. Noppadol Dheerabutrvongkul, independent director is 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.

In 2016, the Company hired outsource internal audit from Internal Audit Dharmniti Co., Ltd. responsible to audited internal control to ensure that it was conducted in compliance and policy, sufficient to achievement the company's goal, there have Chief Internal Audit Officer coordinated with monitoring and reporting directly to Audit Committee.

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 2016, 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 Board's Structure, identify qualified individuals, Board Skill Matrix for director improvement and selection the qualified person to appointment or replacement of directors whose tenure is terminating, monitor market changes and trends with regards to remuneration package for director and executive in order to compatible with same industrial standard by utilized the 2016 Director Compensation Survey Report conducted by the Thai Institute of Directors as a guidelines.

In 2016, The Company has granted to issuance the warrants "ESOP-warrant" by issued and offering new ordinary shares to the directors and employees of the company and its subsidiaries with no value for the purposed of motivated and engage in the company's success and rewards them for their hard working and dedication in long term.

In 2016, there were 2(two) 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, 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, To perform risk management function ensure that the company has operated risk management that suitable to company's strategy, also reviewing corporate risk that might affect the achievement of the Company's objectives.

In 2016, The Risk Management Committee was operated and implement the risk management plan, and report the activities and performance to the Board of Directors and Audit Committee by quarterly basis. The Board of Director has assigned the Risk Management Committee to provide the guideline to meet with the CAC certified process as the Collective Action Coalition against Corruption "CAC" with covering Risk assessment procedure to submit the self-evaluation of 71 items to the CAC Committee for approval within 2016. In regards, review updated the Charter of Risk Management Committee which effective October 21, 2016 onwards.

In 2016, 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 2016, The Board of Directors has resolved to revise the Company's Organization, appointed Mr. Pornsak Chunhajinda as Managing Director and added Business Development division in order to suitable the Company's vision and mission for sustainable growth. Also the Board of Directors' meeting no.1/2016 dated January 18, 2016 had appointed a high-level executive, Mr. Pornsak Chunhajinda to take a position of Managing Director of "Phol Water Co., Ltd." 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 was no appointment the individuals for the Business Development division, under the supervision of CEO.

### 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. In 2016 there were 13 meetings (including non-executive director's 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 not less than 7 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 certified minutes shall be kept systematically as confidential documents, provide an electronic document storage system through Google Site for safely and convenience for searching a reference. The original hard copy are normally kept for at least 5 years with the Company Secretary, at the Company 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 2016, attendance record has been quite consistent; the average attendance of each director is 83.33% of the total number of meetings (12 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 electronic 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 complies 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. B.E.2551 (amendment), 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 2016, 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 Company Secretary Office's operations and more effectiveness of the corporate governance execution.

## 5.7 Performance Assessment and Knowledge Development

### 5.7.1 Directors' Performance Assessment

The Board of Directors regularly conduct self-assessment on yearly basis to consider their previous performance and problem for further improvement of the Board's performance efficiency.

In 2016, The Board was approved the entire board assessment form refer to approached practice by SET same as previously, the evaluation criteria are categorized into 6 topics namely: (1) Structure and qualifications of the Board; the sufficient of knowledge and experience, the appropriateness of independent director, the appropriateness of executive director and qualifications of sub-committee (2) The Board's role, duties and responsibilities; consider policy, vision & mission, the strategic plan, conflict of interest, corporate governance policy revision and implementation, Code of Conduct, performance appraisal and remuneration (3) The Board's meetings; agenda setting and completeness of documents (4) Board of Directors' performance; regulars meeting attendance and participants (5) The relationship with the management; freely opinion and (6) directors and executives' self-improvement; succession plan for executive. In this regards, Total score shall be use all average percentage for performance. The results also confirmed the appropriateness of the structure and composition of the Board of Directors, qualification are qualified and accountable in accordance with good practices, and assigned CEO to arranged the succession plan for executives shall be more comprehensive and training roadmap to support future business expansion. The overall performance with average scored is 98.75 excellent same as last year. In 2016, there have been no individual evaluation, access by a group. The criteria are as follows:

1. Excellent score between 90-100
2. Very Good score between 80-89
3. Good score between 70-79
4. Moderate score below 69

### 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, guideline by the Securities and Exchange Commission, which is categorized into 2 parts:

Part 1. The act of the Audit Committee; Structure, general environment, duties as prescribed in the Audit's Committee Charter assigned by the Board of Directors except the limitation maximum period of each member of the audit committee is a member more than 5 listed companies.

Part 2. Specific their duties are to review the Company's financial reporting is accurate and adequate and no lawsuit obligations.



The Audit Committee has reported the self-evaluation form for the year 2016 to the Board of Directors in the meeting no.2/2017, dated February 28, 2017. It has been summarized that the composition, qualifications and performance of the Audit Committee were in line with the requirements stated in SET guidelines, perform duties as prescribed in the Audit's Charter and uncomfortable item bring to develop a monitoring plan for next year.

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 97.34%, which is considered excellent and the Nomination and Compensation Committee report 2016 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 2016 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 2016. To determined compensation in accordance with responsibilities, performance criteria are coherent with the Company's key performance indicators 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, also given individual director for guidelines. Director manual; important information about the business structure and composition, Corporate Governance Policy 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 as well as meetings and discussions with the Chairman of the Board/Committees and Chairman of the Executive Committee/Chief Executive Officer to inquire in-depth information of the company business. For more information coordinating by Company Secretary.

For new directors whose have not yet completed the director training course, the Company has arranged course "Director training" hosted by IOD; i.e. Mr. Pornsak Chunhajinda to attend Director Certification Program "DCP" class no. 227/2016 between July–August 2016, non for either one which already attend such training.

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

The Board has a policy to encourage the Board of Directors to continuously improve knowledge and capabilities of directors, enabling to understand their role and duties, effectiveness management in accordance to the principle of corporate governance. To applying IOD-membership to the directors to serve their benefit; update news issue and knowledge sharing for director. The Company's 6 directors have already attended the DCP course and another 5 directors have attended the DAP course.

Moreover, the Company fully encourages company secretary and executive to participation a 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 2016, 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 2016 as follows:–

No.	Name		Course by IOD
1.	Dr.Pramuk Vongtanakiat M.D.	Independent Director	How to Develop Risk Management Plan (HRP) class no.10/2016
2.	Mr.Teeradej Jarutangtrong	Director	How to Develop Risk Management Plan (HRP) class no.10/2016
3.	Mr.Boonchai Suwanvutthiwat	Director Chief Executive Officer	Successful Formulation & Execution of Strategy(SFE) class no.26/2015 Driving Company Success with ITG Governance (ITG) class no. 3/2016
4.	Gen.Chaiwat Satondee	Director	Director Certificate Program (DCP) class no. 216/2016
5.	Mr.Pornsak Chunhajinda	Director	Director Certificate Program (DCP) class no. 227/2016

## Part 2. Others Seminar to participate of Director and Company Secretary

No.	Name		Course
1.	Asso.Prof.Dr.Ekachidd Chungcharoen	Independent Director	- New Auditors Report: What's in it for you? (IOD)
2.	Mr.Noppadol Dheerabutvongkul	Independent Director	- Dialogue: Exchange an idea of the Executive for the Practices Internal Control of Listed Company system (SET) - Director Compensation Survey Year 2016 (IOD) - New Auditors Report: What's in it for you? (IOD)
3.	Mr.Teeradej Jarutangtrong	Director	- Seminar: CG Code Understanding as well as the Role of Board as the Leader for Business Sustainability" (SEC) - Seminar: The Act facilitates, the development of the Custom Department's efficiency and benefits for Private Sector" (CAC/IOD)
4.	Mr.Boonchai Suwanvutthiwat	Director Chief Executive Officer	- Seminar: Group Litigation (SEC) - Social Responsibility Management for Sustainable Development (SET) - Course "Big Data's Tools for Strategic Insight" (FTPI)
5.	Miss.Saowapa Choorujiporn	Company Secretary	- CG Forum-1/2016 "Ethics: Corporate Governance Principle" (SET) - CS Sharing-2/2016: "Professional Secretary Techniques for Organizing Board Meetings Effectively" (commentator) - Social Responsibility Management for Sustainable Development (SET) - Prepare Sustainability Report (by SET) - CGR Workshop "Enhancing Good Corporate Governance based on CGR Scorecard" (IOD) - Seminar: CG Code Understanding as well as the Role of Board as the Leader for Business Sustainability" (IOD) - Attended the Revision Certified Process of Thai Private Sector's Anti-Corruption program (CAC). (IOD) - Project Corporate Governance Report for the year 2016 (IOD)

### Part 3. Managemet

No.	Name	Course
1.	Mr. Pornsak Chunhajinda Managing Director/ Chief Financial Officer	<ul style="list-style-type: none"> <li>- Responsibility Management for Sustainable Development (SET)</li> <li>- Understand the Fair Valuation TFRS13, FAPA</li> <li>- Healthy check through Financial Statements, FAPA</li> <li>- Start-up Accounting Business, FAPA</li> </ul>
2.	Miss. Prapaipit Viriyabhupha Chief Operation Officer	<ul style="list-style-type: none"> <li>- Social Responsibility Management for Sustainable Development (SET)</li> <li>- Course "Big Data's Tools for Strategic Insight" (FTPI)</li> </ul>
3.	Mr. Payotorn Mungthong Chief Sales Officer	<ul style="list-style-type: none"> <li>- Social Responsibility Management for Sustainable Development (SET)</li> <li>- Course "Big Data's Tools for Strategic Insight" (FTPI)</li> <li>- Advance Diploma in Public Administration and Law, King Prajadhipol's Institute</li> </ul>
4.	Miss. Kamolphobphan Puapunsakul Chief Internal Audit Officer	<ul style="list-style-type: none"> <li>- Seminar: Group Litigation (SEC)</li> <li>- Social Responsibility Management for Sustainable Development (SET)</li> <li>- Course "Big Data's Tools for Strategic Insight" (FTPI)</li> </ul>
5.	Mr. Thanya Wangthamrong Chief Marketing Officer	<ul style="list-style-type: none"> <li>- CG Forum-1/2016 "Ethics: Corporate Governance Principle" (SET)</li> <li>- CG Forum-3/2016 "Corruption in the Organization Disaster Prevention and Control" (SET)</li> <li>- Seminar "Internal Audit: Important Mechanism for Regulating and Creating Business Value" (SET)</li> </ul>
6.	In-house Training Executive/ Manager Executive/Manager/All Employee	<ul style="list-style-type: none"> <li>- Social Responsibility Management for Sustainable Development (SET)</li> <li>- Course "Risk Management for Executive"</li> <li>- Course "Risk Plan and Corporate Context (ISO 9001 : 2015)"</li> <li>- Course "Preventive and Guideline for Anti-Corruption" by CEO, Mr.Boonchai Suwanvutthiwat</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 assigned to the human resources department accelerate the implementation of the plan; Core Competency and Functional Competency and job evaluation to completed within 2016, together to develop career path with the Company's growth.

- 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 11 directors, none of them are assuming the director position in other listed and non-listed companies in excess of specified 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.

### 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
1. Chairman of the Board must be an independent director. 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	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
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	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
3. The Board of Directors should determine the maximum length that directors and members of committees can assume their positions	



Topics not exercised	Reasons for not exercising/Substitute measures
4. Nomination and Compensation Committee should comprise of all independent members	Nomination and Compensation Committee comprises of 3 members, 2 of whom are independent members. Chairman of the Committee must be independent director
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	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.
6. Individually Self-Assessment	The Board's opinion that it is a group parties. There is no individual assessment.

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.

In 2016, The Board of Directors has revised The Code of Business Conduct has been improved to comply with the Anti-Corruption Policy, therefor directors, executives, and employees and stakeholders to adopt ethical guidelines. By communication via intranet, board and such handbook submit to director executive and all employees for their acknowledgement. There was published on the Company's website under topic "Corporate Governance" to serve stakeholders investment for more information (website: [http://www.pdgth.com/ir\\_index.php/corporate\\_governance/code of conduct](http://www.pdgth.com/ir_index.php/corporate_governance/code_of_conduct))

**Summarized details 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. Summarized; Conflicts of interest, Responsibilities to shareholders, Labor policy and treatment, Customer policy and treatment, Trading partner policy and treatment, Competitor policy and treatment, Policy on Social and Public Responsibilities and Monitoring and strictly confident for best practice. Such policy is published on the website under the topic "Policy on Corporate Governance and Business Morality"

(website: [http://www.pdgth.com/ir\\_index.php/corporate\\_governance/corporate\\_governance\\_policy](http://www.pdgth.com/ir_index.php/corporate_governance/corporate_governance_policy))

**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 guideline for oversight practices as disclosed in Section 4. Disclosure and Transparency "Disclosure Report on Conflicts of Interest and Related Transactions".

### - 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 personnel 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").

### 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 2016, The Board of Directors has resolved 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.

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, intranet 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.

The Board of Directors' meeting no.8/2016, dated August 10, 2016, had approved Risk Management Manual for Anti-Corruption, this is part of consistent approach "Policy and Guidelines Preventive for Anti-Corruption" in writing policy which published on the Company's website whereas addition supplement to submit the completion self-evaluation to CAC certified process within quarter 3/2016. The Company has passes the certified process by the CAC committee on dated October 14, 2016.

## 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. To define the accountability and authority 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. There have Internal Audit Department to monitoring the various operational process related with the audit plan, include counseling and opinion to the relevant investigator as well as follow-up improvement, directly report the Audit Committee.

### 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 Department should report operating performance and present advices or significant short coming to Audit Committee on a quarterly basis and also report to the quarterly audit results to the Board of Directors, and lastly monitor management to improve and correct those outstanding shortcomings.

The Company's Internal Audit arranged brief summary of the audit meeting with executive, make a report results of the operation with suggestion or significant issue to Audit Committee by quarterly basis, also supervise the management to make adjustment in sequence.

### The Head of Internal Audit Department

In the Audit Committee's meeting No. 2/2014 held on 27 February 2014 has appointed Miss. Kamolphobphan Puapansakul, Chief Internal Audit Officer, as the head of Internal Audit Department and Audit Committee Secretary. She had been appointed as the Head of Internal Audit Unit since April 2008. With her experience in our internal operation for more than 10 years and usually internal and external seminars related the internal audit to improve her performance i.e.; Ethics "Corporate Governance Principle" held by SET.

In 2016, The Company uses internal auditor services from the Company "Internal Audit Dharmniti Co., Ltd." entered the internal audit work under the scope of internal audit operations covering all dimensions of the Company and its subsidiaries and coordinated by Miss. Kamolphobphan Puapansakul, Chief Internal Audit Officer.

The company's internal audit department Coordinate with Internal Audit Dharmniti Co., Ltd. Meeting with executives before arrange the report to the Audit Committee for their acknowledgement. For the 2016 the Internal Audit Dharmniti has concluded its opinion on the effectiveness and adequate of internal control and performed their duties comprehensively.

In addition, consideration and approval the audit plan, an appointment, deprivation and evaluation and compensation 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".

In 2016, 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 risk management plan throughout the organizational.
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 knowledge and understanding risk management and 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, review and implement practice to prevent Anti-Corruption in writing and public on February 23, 2016.
7. Reviewed the Risk Management Committee's Charter is consistent, have no changed.

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

### **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. The Board of Directors encourages to disclosing significant information in the footnotes of financial statements. Also The Board of Directors has reported their responsibilities to the financial statements coupled with the Certified Auditor's report, for beneficially of shareholders and investors.

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, 2016 is accurate, complete, adequate, and reliable.

### **Compliance with other Good Corporate Governance Principle**

The Director, Executive and Employee of the company and subsidiaries has complied with the corporate governance policy and strictly consistent comply and monitoring to implementation plan, In 2016 there was no issue or situation of non-compliance with the aforesaid policy.

## **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 2016, the Company has reviewed and comments by Miss Kulthida Pasurakul Certified Public Accountant Number 5946 from the Auditor "ANS Audit Co., Ltd." is the company's auditor and first time to certified the financial statement, since the former's auditor has performed 5 consecutive fiscal years. The remuneration of the audit fee of the Company and its Subsidiaries for the fiscal year 2015 and 2016 amounted 1,135,000 Baht and 1,270,000 Baht respectively, which including audit fee of subsidiary company amounted 435,000 Baht and 400,000 Baht respectively.

### Non Audit Fee

In 2016, the Company and its subsidiaries do not pay for other services, Non-audit.

### Comparison of the Audit Fee

Unit: Baht

Audit Fee	2016	2015	2014
<b>Audit Fee</b>			
1. Phol Dhanya Public Company Limited	800,000	700,000	640,000
2. PD Genesis Engineering Company Limited	30,000	30,000	30,000
3. Phol Palladium Company Limited	185,000	180,000	150,000
4. Pholdhanya (Cambodia) Co., Ltd.	145,000	110,000	110,000
5. Phol Water Company Limited.	110,000	115,000	55,000
<b>Non Audit Fee</b>	-	-	-
<b>Total</b>	<b>1,270,000</b>	<b>1,135,000</b>	<b>985,000</b>

## Corporate Social Responsibility

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, resolved to participation The Corporate Sustainability Advisory Program (2nd year), corporate between The Stock Exchange of Thailand (SET), Market for Alternative Investment (mai) and Sustainable Business Development Institute to develop the company's sustainable management approach cover it's economic, social and environmental. To developing "Sustainability Report" base on the framework, produced a separate Sustainability Report from the Annual Report. To ensure that all stakeholders are aware of the management approach and the operating results of corporate social responses and environment. The report format follow the guidelines of Global Report Initiative version 4.0 (GRI G4) in accordance to disclosed the operating approach as a sustainable report, for more details provided on the 2016 Sustainable Report which publicized on the company's website: [www.pdgth.com](http://www.pdgth.com)

# Internal Control and Risk Management

The Board of Directors places great emphasis on the internal control and risk management systems which serve as significant mechanisms that ensure the management team of the Company's business risk minimization for effective business operations and goal achievement. It is also to be in coherence with guidelines of the Securities and Exchange Commission and the Stock Exchange of Thailand, according to the Committee of Sponsoring Organizations of the Treadway Commission (COSO)'s international standard of internal control. The Audit Committee examines the internal control and risk management systems on a regular basis, as well as evaluate outcomes of the examination and opinions of the CPAs regarding the adequacy of the Company's internal control system. Operation reports are to be presented to the Board of Directors on a quarterly basis and to shareholders at least once a year. Meanwhile, documents are disclosed in the annual information listing (form 56-1) and the Company's annual report (form 56-2).

The Board of Directors has assigned the Audit Committee to supervise the internal control and risk management systems and ensure that they are appropriate and effective, and that there are adequate personnel to ensure efficient operations, as well as to encourage compliance with regulations and relevant laws to prevent potential conflicts of interest and related-party transactions, and the monitoring of the Company's and subsidiaries' operations by the Directors, representatives or the management, not to utilize the Company's assets in the wrong way or without proper authority and to prevent potential loss and damages of assets caused by acts of dishonesty. Also, the audit mechanism is to be put in place, with the Internal Audit Division's independent authority to inspect and evaluate the overall effectiveness and adequacy of the internal control and risk management systems, and corporate governance.

In the Board of Directors' Meeting No.2/2017, dated February 28, 2017, there were 3 members of the Audit Committee attending the meeting. The Board of Directors had evaluated the adequacy of the internal control system following the consideration of the Audit Committee, in relations to the evaluation form regulated by the Securities and Exchange Commission, covering 5 major dimensions, namely, organizational and control environment, risk assessment, management control, information and communication, and monitoring. The key methodology used was the interrogation of the management conducted by the Internal Audit Division and opinions were mutually summarized, which had already been considered and reviewed by the Audit Committee. In this regard, the Board of Directors were of the same view as the Audit Committee that the Company's internal control and risk management systems are sufficient and appropriate.

**The Board of Directors opinions towards different dimensions of the internal control system are as follows:**

## **1. Organizational and Control Environment**

The Company is to ensure an adequate amount of personnel to operate the system effectively as well as to monitor the internal control system and the operational supervision of the Company and subsidiaries to prevent wrongful and unauthorized use of assets. This can be done by way of specifying the scope of authority and command, clear classification of Directors' and the management's roles, including the announcement of written policies and practices, for instance, corporate governance policy, ethics and code of conduct in business operations, honesty and transparency, as well as the compilation of appropriate practices and code of conduct required of the Directors, the management and staff members, and protocols governing transactions with relevant individuals who might have potential conflicts of interest, with proper inspection of related-party transactions.

## **2. Risk Assessment**

The risk management system has been prescribed with the focus on the development of a comprehensive risk management system according to the principle of good corporate governance. The risk management activities are to be systematically executed in a continuous manner. The risk management structure is comprised of the top executives of each division as a working team, while every staff member shall be accountable for potential risk factors associated with their functions that relate to the organizational objectives and ensure they are in the acceptable level.

The objectives of assessing risks have been identified in order to specify, evaluate, analyze, follow up and report potential risks to the Risk Management Committee and the Board of Directors on a quarterly basis, while proper assessment on adequacy of the internal control system is to be ensured.

Details regarding organizational risk assessment and management are displayed in the topic “Risk Factors”.

### **3. Management Control**

Control measures have been identified to minimize risks that prevent the organization from achieving its objectives and to maintain potential risks in the acceptable level, with appropriate control measures, inspection and following up of compliance, for instance, prescription of authority which is to be regularly reviewed, clear classification of roles and responsibilities to encourage balance of power, regulations of making related-party transactions to be in accordance with the Securities and Exchange Commission, while relevant stakeholders are not involved in authorizing the transactions, disclosure of information that follows the securities and exchange laws, regulations of the Securities and Exchange Commission and the Stock Exchange of Thailand and relevant laws, as well as the monitoring of the operating performance via the Chief Executive Officer and/or Managing Directors of subsidiaries or the authorized representative directors.

### **4. Information and Communication**

It has been regulated that the provision of information must be accurate, complete, adequate and in time for internal and external users, such as committee and sub-committee meetings, directors meeting for non-management directors, Audit Committee and CPA meeting without the involvement of the management and/or independent consulting, the disclosure of information via different channels of the Stock Exchange of Thailand to investors or outsiders, as well as identification of whistle blowing and complaint filing channels and protection measures for the person filing complaints and other practices as displayed in the topic “Anti-Corruption”, in the Corporate Governance section as appeared on the website [www.pdgth.com](http://www.pdgth.com), Investor Relations section.

### **5. Monitoring**

The Board of Directors has arranged a comprehensive reporting system that covers every dimension in order to ensure that the internal control system can be effectively executed, for instance, accounting and finance, operations, legal and regulations compliance, asset protection, following up of operating outcomes against the targets in a hierarchical manner; from the Directors and the management level and below, following up of targets and strategic directions, work execution plan and outstanding projects that have been approved of by the Board of Directors, with regular crosschecks against the operating performance on a regular basis. The reports are to be presented to the Board of Directors on a quarterly basis, while the Internal Control Division is to inspect the operations and report to the Audit Committee in every quarter.

In the previous year, the Audit Committee and the Board of Directors did not receive any reports specifying significant mistakes or shortcomings from the CPAs and the Internal Audit Division. In this regard, the Audit Committee’s performance in 2016 was reported in the “Audit Committee Report”.

# Connected Transactions

Persons with possible conflict of interest	Relationship / Transaction		Transaction Value (Baht)		Necessity and reasonability of the transaction
			2015	2016	
1. Phol Palladium Co., Ltd. (Subsidiary)	The Company holds 99.99% of shares	- 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> The transaction was the normal trading transaction.
		- The Company sold goods to the Subsidiary Sale of goods Trade receivables in the Subsidiary	44,114,570 16,191,528	23,452,364 6,126,344	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% <b>The Audit Committee's opinion</b> The transaction was the normal trading transaction.
		- The Company purchased goods from the Subsidiary Purchases of goods	103,500	851,422	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% <b>The Audit Committee's opinion</b> The transaction was the normal trading transaction.
		- The company provided a short-term loans to the Subsidiary. Short-term loans Interest	- -	5,000,000 182,849	The company provided 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 4.70% per annum. <b>The Audit Committee's opinion</b> The transaction was reasonable; the Company needs to provide finance to the subsidiary for working capital.๙



Persons with possible conflict of interest	Relationship / Transaction		Transaction Value (Baht)		Necessity and reasonability of the transaction
			2015	2016	
1. Phol Palladium Co., Ltd. (Subsidiary)	The Company holds 99.99% of shares	- Other income Management fee income Management fee receivable	- - -	600,000 53,500	The Company charges management fee from subsidiaries from use of personnel in the support departments of the Company for its operation, such as accounting, finance, human resources, information technology including the equipment of the Company. The Company charges management fee amount to 50,000 Baht per month. <b>The Audit Committee's opinion</b> The transaction was reasonable; it represents the actual operating costs.
2. Phol Water Co., Ltd. (Subsidiary)	The Company holds 99.99% of shares	- 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 the Subsidiary to operate in water business by providing an all-rounded services. <b>The Audit Committee's opinion</b> The transaction was the normal trading transaction.
		- The Company sold goods to the Subsidiary Sale of goods Trade receivables in the Subsidiary	8,674,690 2,530,975	3,846,759 2,195,683	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% <b>The Audit Committee's opinion</b> The transaction was the normal trading transaction.
		- The Company purchased goods and services from the Subsidiary Purchase of goods Cost of service for water treatment system Cost of construction for water project Commission expenses Trade and other payables in the Subsidiary	740,285 2,234,217 47,869,905 566,638 17,168,614	381,778 331,509 16,195,435 65,306 2,716,341	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% <b>The Audit Committee's opinion</b> The transaction was the normal trading transaction.

Persons with possible conflict of interest	Relationship / Transaction		Transaction Value (Baht)		Necessity and reasonability of the transaction
			2015	2016	
2. Phol Water Co., Ltd.	The Company holds 99.99% of shares	- The company provided a short-term loans to the Subsidiary. Short-term loans Interest	10,000,000 31,507	27,000,000 337,271	The company provided 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 4.70% per annum. <b><u>The Audit Committee's opinion</u></b> The transaction was reasonable; the Company needs to provide finance to the subsidiary for working capital.
		- Other income Management fee income Management fee receivable	- - -	600,000 53,500	The Company charges management fee from subsidiaries from use of personnel in the support departments of the Company for its operation, such as accounting, finance, human resources, information technology including the equipment of the Company. The Company charges management fee amount to 50,000 Baht per month. <b><u>The Audit Committee's opinion</u></b> The transaction was reasonable; it represents the actual operating costs.
		- Other income Rental income for water treatment system Rental receivable	- - -	600,000 64,200	The Company charges rental for water treatment system from subsidiaries amount to 60,000 Baht per month. <b><u>The Audit Committee's opinion</u></b> The transaction was reasonable; it represents the actual operating costs.
		- Other income	-	106,772	Other income that the Company collects from subsidiaries to normal operation. <b><u>The Audit Committee's opinion</u></b> The transaction was the normal trading transaction.

Persons with possible conflict of interest	Relationship / Transaction		Transaction Value (Baht)		Necessity and reasonability of the transaction
			2015	2016	
3. PD Genesis Engineering Co., Ltd. (Subsidiary)	The Company holds 76.67% of shares	- 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.
		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	As of November 7, 2013, the Company was registered to be dissolved and is currently under the process of liquidation.
		Less Allowance for doubtful accounts	5,000,000	5,000,000	
		Net Short-term loan to the subsidiary	-	-	
		- Interest income	126,278	126,278	<b>The Audit Committee's opinion</b> 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	-	-	
4. Pholdhanya (Cambodia) Co., Ltd. (Subsidiary)	The Company holds 100% of shares	- Investment in the Subsidiary	6,770,686	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.
		Allowance for Impairment	6,770,686	6,770,686	
		Net investment in the Subsidiary	-	-	
					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%.
					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.
					<b>The Audit Committee's opinion</b> 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
			2015	2016	
4. Pholdhanya (Cambodia) Co., Ltd. (Subsidiary)	The Company holds 100% of shares	- The Company sold goods to the Subsidiary Sale of goods Trade receivables in the Subsidiary Less Allowance for doubtful accounts Trade receivables in the Subsidiary-net	2,506,211 4,865,172 2,125,763 2,739,409	1,179,828 6,024,292 6,024,292 -	<p>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%</p> <p>The Company reported loss earnings over capital and the Subsidiary has temporarily ceased its operations. Thus, in order to be in accordance with the accounting standard, there was a necessity to have an full allowance for doubtful accounts amount to 6.02 MB</p> <p><b><u>The Audit Committee's opinion</u></b> The provision was in accordance with the accounting standard.</p>
		- Other receivable Less Allowance for doubtful accounts Other receivable-net	3,080,271 - 3,080,271	3,783,641 3,783,641 -	<p>The Subsidiary lend from the Company to working capital, which is repayable at call and no interest charge.</p> <p>The Company reported loss earnings over capital and the Subsidiary has temporarily ceased its operations. Thus, in order to be in accordance with the accounting standard, there was a necessity to have an full allowance for doubtful accounts amount to 3.78 MB</p> <p><b><u>The Audit Committee's opinion</u></b> The provision was in accordance with the accounting standard.</p>

## 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.

## Responsibility of the Board of Directors to Financial Statements

Dear Shareholders,

The Board of Directors is responsible for the financial statements of Phol Dhanya Public Company Limited and its subsidiaries which were prepared in consistent with the financial reporting standards. The financial statements were prepared in accordance with generally accepted accounting standards by consistently adopting appropriate accounting policies and practices, careful discretion, and rational reporting in the preparation. Furthermore, the significant information was disclosed in the notes to the financial statements according to the auditor's report for the benefits of shareholders and investors.

The Board of Directors maintained good corporate governance as well as the effective risk management and internal control systems to ensure that accounting records are accurate, completed, and adequate to maintain the assets of the company. Moreover, the Audit Committee was appointed and shown in the report, consisting of independent directors who were in charge of financial reports, internal control system and relevant comments from the Audit Committee.

The Board of Directors quite satisfied in the internal control system which could relate to the reliability of the consolidated financial statements of Phol Dhanya Public Company Limited and its subsidiaries for the year ended December 31, 2016 in which the auditors have reviewed and provided the comments in the auditor's report of which was also shown in the annual report.



Prof. Dr. Pornchai Chunhachinda  
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.

At present, The Nomination and Compensation Committee comprise of 3 members as follows:

- |   |  |
|---|--|
| 1. Mr. Noppadol Dheerabutrpongkul         | Chairman of Nomination and Compensation Committee/<br>Independent Director |
| 2. Assoc. Prof. Dr. Ekachidd Chungcharoen | 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.

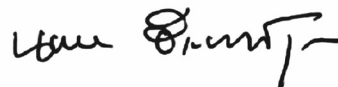
To nominate candidates for directors, members of committees, and high-level executives from first vice president onwards, the Committee will consider the candidates' qualification, knowledge, capabilities, skills, experiences, extensive expertise, leadership quality, visions, and positive attitude towards 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 2016, there were 2(two) 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. Revision of the composition of the Board of Directors to be appropriate and accommodate the direction of future growth as well as help drive aggressive corporate strategy. Therefore, 2 additional directors were appointed including Managing Director, namely Mr. Pornsak Chunhajinda, and the Chief Marketing Officer, namely Mr. Thanya Wangthamrong
2. To create the Board Matrix that provides an individual director assessment form by using information from skills, knowledge, and experience of each individual director to provide a guideline for the development of training program for the director that is not yet completed.
3. 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 90 days, starting October 1, 2016 to December 31, 2016. No candidates for directors were nominated by shareholders in the Annual General Meeting of Shareholder 2016.

In 2016, The Nomination and Compensation Committee has considered to appoint the replacement Independent Director/Audit Committee, who resigned as the remaining term of nine months namely; Mr. Santi Niamnil who has legal expertise, was appointed to the Independent Director/Audit Committee since effectively May 10, 2016 according to the director nomination process.

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 2016, 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. Consideration of incentive schemes for directors and employees by issuing the warrants to purchase the company's ordinary shares that would be issued and offered to directors and employees of the company (ESOP-Warrant) without any charge. This is to motivate and empower the directors and employees to be a part of the company's success over time. Moreover, employees would be involved in the ownership as well as to induce them to work for the company in the long run.
6. 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.

A handwritten signature in black ink, appearing to read 'Noppadol Dheerabutr'.

Mr. Noppadol Dheerabutr  
Chairman of Nomination and Compensation Committee

# Report of Risk Management Committee

## Dear Shareholders,

Phol Dhanya Public Company Limited is fully aware of the significance of risk management, which is the factor that will allow consistent and sustainable business operations, as well as the development of risk management system that is capable of managing potential risks that might have impact on the Company's core businesses. The Risk Management Committee has devised the risk management policy and effective control activities and regularly reports the risk management outcomes to the Board of Directors; the roles which are specified in the Risk Management's charter. The Committee is also responsible for providing opinions regarding risk management directions that are suitable for effective business operations to ensure that the objectives can be met. In 2016, the Company appointed 1 more member of the Risk Management Committee, adding on to the existing 4 members, making it 5 members altogether, coupled with another qualified advisor, operating under the supervision of the Board of Directors. There were 7 meetings held altogether in 2016, with key agendas and progress as follows:

### 1. Risk Management Plan, Risk Assessment and Risk Management

The Risk Management Committee has considered and reviewed risk assessment activities that cover strategic risks, financial risks, operational risks, regulatory risks and other dimensions of risks that can have significant impact on the organization. The Committee also considered the matter of coherence with organizational objectives and strategies, and therefore assigned the authorized person to put these activities in practice. Also, comments were provided for the risk management plan with the focus on the improvement of the plan to be more comprehensive and appropriate for the organization in different contexts and situations, prior to proposing to the Board of Directors.

### 2. Risk Management Monitoring

The Risk Management Committee has been following up on the progress of risk management plan and activities, as well as providing suggestions for operational improvement in order to execute them appropriately and effectively. Also, the reports of risk management outcomes have regularly been presented to the Board of Directors on a quarterly basis.

### 3. Instilling Risk Management Culture in the Organization

The purpose of this initiative is to encourage staff members of all levels to take part in risk management activities and to stimulate awareness of the significance of risk management. With this, the orientation and training on risk management are provided to staff members, as well as constant communication with regards to risk management matters via different activities to build awareness of organizational risk management.

### 4. Anti-Corruption

The Company is aware of the importance of operating the business under the principle of good governance, ethics, and transparency. Given this, the Company has identified practices and internal control activities that are in relations to the said principle. In 2016, the Company got certified as a member of the Thai Private Sector Collective Action Coalition against Corruption on October 14, 2016.

From the operating performance as mentioned above, the Risk Management Committee has taken on assignments from the Board of Directors, with the determination to ensure that risk management and supervision are adequately comprehensive and allow for effective business operations.



Mr. Teeradej Jarutangtrong  
Chairman of Risk Management Committee

# Report of Audit Committee

## Dear Shareholders,

The Audit Committee was appointed by the Board of Directors consists of three (3) independent directors namely;

1. Assoc. Prof. Dr. Ekachidd Chungcharoen      Chairman of the Audit Committee
2. Mr. Noppadol Dheerabutrvingkul              Audit Committee
3. Mr. Santi Niamnil                                  Audit Committee

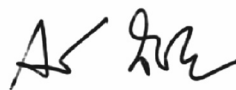
Audit Committee assumes the roles and responsibilities in governing and ensuring that the Company's operation conforms to its business strategies and policies, that relevant rules, laws, and regulations are strictly complied, that the management and control of business risks are carried out, and that 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.

In 2016, the Audit Committee held six (6) Meetings with the external auditors, Chief Financial Officer and Chief Internal Audit Officer attending the Meeting in related agenda item, which is summarized as follows:

1. Reviewed the quarterly and annual financial statements of 2016, 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. Review the results of internal audit performance by outsource "Dharmniti Internal Audit Co., Ltd. the independently audit team with the Company's Internal Audit as per the 2016 Audit Plan, internal control results more efficient and effectiveness. Overview, the results of the adequate assessment of internal control system of the company was adequacy.
4. Regulated the internal audit by reviewed the internal audit charter, a manual on internal audits, internal audit key performance indicators, audit plan 2016 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 2016 to the Board of Directors to propose the 2016 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 Miss Kultida Pasurakul, Certified Public Accountant No. 5946, or Mr. Atipong Atipongsukul, Certified Public Accountant No. 3500, or Mr. Wichai Rujitanon, Certified Public Accountant No. 4054, or Mr. Yuthapong Chuamuangpan, Certified Public Accountant No. 9445 of ANS Audit Co. Ltd., as the Company's auditors for the year 2016.

The Audit Committee is of the view that over the course of 2016, 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. Ekachidd Chungcharoen  
Chairman of the Audit Committee

# Auditor's Report

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

### Opinion

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, respectively, which comprise the consolidated and separate statements of financial position as at December 31, 2016, the consolidated and separate statements of profit or loss and other comprehensive income, statements of changes in shareholders' equity and statements of cash flows for the year then ended, and note to the financial statements and a summary of significant accounting policies.

In my opinion, the consolidated and separate financial statements referred to above present fairly, in all material respects, the consolidated and separate financial position as at December 31, 2016 and the consolidated and separate financial performance and cash flows for the year then ended of Phol Dhanya Public Company Limited and its subsidiaries, and of Phol Dhanya Public Company Limited, respectively, in accordance with Thai Financial Reporting Standards (TFRSs).

### Basis for Opinion

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

### Emphasis of Matter

I draw attention to the Note to Financial Statements No. 3, during the year 2016, the Company found the error due to un-recognition of change in the Company's ownership interest in subsidiary company. Therefore the Company made an adjustment by increasing the deficit from the change in the ownership interests in the consolidated financial statements. As such, the consolidated statements of financial position as at December 31, 2015 and January 1, 2015, of Phol Dhanya Public Company Limited and its subsidiaries which have been presented herewith for comparative purposes, have been restated for the effect of such adjustment. My opinion is not modified in respect of this matter.

### Key Audit Matters

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

## **Revenue Recognition of Construction of Water Supply System for Villages Using the Percentage of Competition Method**

### *Risk*

The Company and its subsidiary recognized “revenue from construction of water supply systems for village” using the percentage of completion method for the year ended December 31, 2016 of Baht 260 million. The percentage of completion of work depended on the surveys the completion of each stage of work performed by Engineers. The determination of the completion of each state based on value of construction cost allocated to each state which determined by the Group’s management. The appropriateness of assessment the stage of each work completion and value of construction cost allocated each state are estimation requires Management’s judgment.

### *Auditor’s Response*

I considered the appropriateness of the percentage of completion used, I inquired with the Group’s Engineers to obtain understanding of the percentage of completion method, performed calculation testing for tested the calculations used to determine the value of work at each stage of completion, and also assessed the appropriateness of Management’s total estimated construction cost by verification with reliable external and internal audit evidence. In addition, I also conducted site visits for certain significant projects in order to assess whether the percentages of completion were in accordance with the percentages estimated by the Group.

## **Provision for penalties arising from delays of construction**

### *Risk*

According to Notes to Financial Statement No. 7, the Group delayed certain construction contracts for village water supply systems. As a result, the Group has to pay the liable for penalties arising from the construction delays according to the terms of each particular contract. However, the Group has engaged sub-contractors to undertake such construction work. The Group has the right to charge a portion of penalties back to such sub-contractors to compensate for the penalties the Group will pay to customer in the amount of Baht 80.39 million. The amount of risk born by the Group for the sub-contractors’ inability to pay the such penalties. The appropriate provisioning for such penalties requires significant judgment by Management.

### *Auditor’s Response*

I considered the appropriateness of the provision for penalties arising from the construction delays by verifying construction contract terms imposing significant penalties for delays, tested calculations of the amount of provisions for the penalties which the Group must pay according to the terms of the particular contracts. Further, I tested the calculation of the amount of provisions for penalties chargeable back to the sub-contractors, and assessed the ability of the sub-contractors to pay those penalties to the Group by considering the evidence related to their financial position, evidence of negotiations with the Group, and evidence of their collateral as guarantees.

## **Provision for devaluation of inventories**

### *Risk*

According to Notes to Financial Statement No. 8, The Group had inventories as at December 31, 2016 of Baht 226.94 million. Inventories are stated at the lower of cost or net realizable value. I focused on this area because the determination of the appropriateness of the provision for devaluation of inventories involves significant judgment by Management.



### *Auditor's Response*

I assessed the appropriateness of the assumptions used by the Management for the determination of the provision for devaluation of inventories by:

- Observing annual physical inventory counts to determine the slow-moving and obsolete inventory items;
- Testing the report on long outstanding inventory;
- Analyzing the quantity of slow-moving inventories; and
- Considering the appropriateness of the allowance for devaluation in value of inventories.

### **Other Matter**

The consolidated and separate financial statements of Phol Dhanya Public Company Limited and its subsidiaries for the year ended December 31, 2015, which have been presented herewith for comparative information were audited by another auditor of our firm, whose report dated February 23, 2016, expressed an unqualified opinion.

### **Other information**

Management is responsible for the other information. The other information comprises the information contain in Annual Report for the year 2016 but does not include the consolidated and separate financial statements and the auditor's report thereon. The Annual report for the year 2016 is expected to be made available to the auditor after the date of this auditor's report.

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

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

When I read the annual report, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance for the correction of the misstatement.

### **Responsibilities of Management and Those Charged with Governance 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.

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

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

### Auditor's Responsibilities for the Audit of Financial Statements

My objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with TSAs. will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with TSAs, I exercise professional judgment and maintain professional skepticism throughout the audit. A description of an audit is provided in the attached Appendix.

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

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

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



Kultida Pasurakul

Certified Public Accountant

Registration Number 5946

ANS Audit Company Limited

Bangkok, February 28, 2017

## Appendix

My procedures include the following:

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

## STATEMENT OF FINANCIAL POSITION

PHOL DHANYA PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

AS AT DECEMBER 31, 2016

Unit : Baht

	Notes	Consolidated financial statements			Separate financial statements	
		December 31, 2016	December 31, 2015	January 1, 2015	December 31, 2016	December 31, 2015
<b>Assets</b>			(Restated)	(Restated)		
<b>Current assets</b>						
Cash and cash equivalents	5	48,852,418.95	59,136,988.83	31,620,222.51	39,112,329.32	47,403,075.72
Trade and other receivables - net	4, 6	201,943,401.49	179,696,520.13	154,289,926.92	188,245,618.70	185,961,236.55
Unbilled receivables	7	149,823,580.07	22,082,108.00	-	147,308,226.25	19,805,887.00
Short-term loans to related parties - net	4	-	-	-	32,000,000.00	10,000,000.00
Current portion of long-term loans to employees	11	1,493,835.59	1,511,773.76	1,348,495.38	1,162,982.45	1,297,105.41
Inventories - net	8	235,085,665.00	223,223,902.15	215,878,518.62	214,679,744.54	215,710,375.61
Advance payments for constructions	7	132,873,566.01	22,532,657.51	-	132,522,793.85	19,684,143.72
<b>Total current assets</b>		<b>770,072,467.11</b>	<b>508,183,950.38</b>	<b>403,137,163.43</b>	<b>755,031,695.11</b>	<b>499,861,824.01</b>
<b>Non-current assets</b>						
Investment in subsidiaries company - net	9	-	-	-	10,999,940.00	10,999,940.00
Other long-term investment - net	10	-	-	-	-	-
Long-term loans to employees - net	11	370,699.76	466,660.30	881,494.43	347,499.66	439,566.87
Investment property - net	12	7,222,598.54	7,700,274.49	8,177,950.44	7,222,598.54	7,700,274.49
Property, plant and equipment - net	13	159,124,760.56	140,692,368.48	129,170,131.86	130,848,159.94	139,167,870.55
Leasehold right - net	14	2,099,338.84	2,474,654.30	2,374,969.76	1,924,338.84	2,149,654.30
Intangible assets - net	15	1,984,531.64	1,559,925.14	1,400,020.93	1,806,573.73	1,332,323.89
Deferred tax assets	16	18,468,742.89	6,118,782.18	5,172,209.70	18,027,923.29	5,844,875.56
Other non-current assets		1,610,373.71	200,893.00	57,893.00	22,100.00	22,100.00
<b>Total non-current assets</b>		<b>190,881,045.94</b>	<b>159,213,557.89</b>	<b>147,234,670.12</b>	<b>171,199,134.00</b>	<b>167,656,605.66</b>
<b>Total assets</b>		<b>960,953,513.05</b>	<b>667,397,508.27</b>	<b>550,371,833.55</b>	<b>926,230,829.11</b>	<b>667,518,429.67</b>

The accompanying notes are an integral part of the financial statements

## STATEMENT OF FINANCIAL POSITION (cont'd)

PHOL DHANYA PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES  
AS AT DECEMBER 31, 2016

Unit : Baht

Notes	Consolidated financial statements			Separate financial statements		
	December 31, 2016	December 31, 2015	January 1, 2015	December 31, 2016	December 31, 2015	
		(Restated)	(Restated)			
<b>Liabilities and shareholders' equity</b>						
<b>Current liabilities</b>						
Bank overdrafts and short-term loans from financial institutions	17	313,574,317.99	139,125,310.24	40,949,651.27	312,527,751.91	139,125,310.24
Trade and other payables	4, 18	144,608,686.78	171,872,404.79	151,717,591.27	129,259,509.52	171,026,601.03
Short-term loan from related person		-	-	25,194.01	-	-
Current portion of long-term liabilities under finance leases	19	5,971,585.52	1,065,944.88	105,711.72	1,958,342.37	945,561.06
Current portion of long-term loans from financial institutions	20	11,140,000.00	6,000,000.00	6,000,000.00	11,140,000.00	6,000,000.00
Current income tax payable		2,423,412.09	3,222,076.94	5,907,903.66	2,231,339.25	3,222,076.94
Provision for penalties arising from delays of constructions	7	56,405,732.75	-	-	55,499,695.75	-
<b>Total current liabilities</b>		<b>534,123,735.13</b>	<b>321,285,736.85</b>	<b>204,706,051.93</b>	<b>512,616,638.80</b>	<b>320,319,549.27</b>
<b>Non-current liabilities</b>						
Long-term liabilities under finance leases - net	19	18,735,562.76	3,607,894.51	405,228.26	2,568,869.75	3,239,029.24
Long-term loans from financial institutions - net	20	36,315,000.00	4,000,000.00	10,000,000.00	36,315,000.00	4,000,000.00
Employee benefit obligations	21	19,642,067.00	16,944,179.99	14,411,848.89	18,344,006.00	15,824,809.12
Other non-current liabilities		1,131,769.59	263,425.00	169,600.00	70,000.00	159,600.00
<b>Total non-current liabilities</b>		<b>75,824,399.35</b>	<b>24,815,499.50</b>	<b>24,986,677.15</b>	<b>57,297,875.75</b>	<b>23,223,438.36</b>
<b>Total liabilities</b>		<b>609,948,134.48</b>	<b>346,101,236.35</b>	<b>229,692,729.08</b>	<b>569,914,514.55</b>	<b>343,542,987.63</b>

The accompanying notes are an integral part of the financial statements

## STATEMENT OF FINANCIAL POSITION (cont'd)

PHOL DHANYA PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

AS AT DECEMBER 31, 2016

Unit : Baht

	Notes	Consolidated financial statements			Separate financial statements	
		December 31, 2016	December 31, 2015 (Restated)	January 1, 2015 (Restated)	December 31, 2016	December 31, 2015
<b>Shareholders' equity</b>						
Share capital						
Authorized share capital	22					
250,999,978 ordinary shares, Baht 1 par value (2015: 162,000,000 ordinary shares, Baht 1 par value)		250,999,978.00	162,000,000.00	162,000,000.00	250,999,978.00	162,000,000.00
Issued and paid-up share capital						
202,499,982 ordinary shares, Baht 1 par value (2015: 161,999,986 ordinary shares, Baht 1 par value)		202,499,982.00	161,999,986.00	161,999,986.00	202,499,982.00	161,999,986.00
Premium						
Premium on share capital	22	137,843,439.03	97,693,443.03	97,693,443.03	137,843,439.03	97,693,443.03
Deficit from the change in the ownership interests in subsidiaries	31	(2,187,236.26)	(2,187,236.26)	(1,538,401.98)	-	-
Retained earnings (deficit)						
Appropriated to legal reserve	23	16,200,000.00	16,200,000.00	16,200,000.00	16,200,000.00	16,200,000.00
Unappropriated		(2,037,818.82)	48,848,349.73	46,935,418.61	(227,106.47)	48,082,013.01
Other component of shareholders' equity		(10,344.61)	37,058.48	67,939.12	-	-
<b>Total shareholders' equity of the Company</b>		<b>352,308,021.34</b>	<b>322,591,600.98</b>	<b>321,358,384.78</b>	<b>356,316,314.56</b>	<b>323,975,442.04</b>
Non-controlling interests	31	(1,302,642.77)	(1,295,329.06)	(679,280.31)	-	-
<b>Total shareholders' equity</b>		<b>351,005,378.57</b>	<b>321,296,271.92</b>	<b>320,679,104.47</b>	<b>356,316,314.56</b>	<b>323,975,442.04</b>
<b>Total liabilities and shareholders' equity</b>		<b>960,953,513.05</b>	<b>667,397,508.27</b>	<b>550,371,833.55</b>	<b>926,230,829.11</b>	<b>667,518,429.67</b>

The accompanying notes are an integral part of the financial statements

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

PHOL DHANYA PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES  
FOR THE YEAR ENDED DECEMBER 31, 2016

Unit : Baht

	Notes	Consolidated financial statements		Separate financial statements	
		2016	2015	2016	2015
<b>Revenues</b>	29				
Revenue from sales		816,529,160.52	847,391,145.38	785,880,566.50	817,822,652.80
Revenue from rendering of services		21,111,804.64	9,417,405.38	15,805,464.46	9,290,851.52
Revenue from construction and service contracts		260,352,959.28	58,094,177.54	254,710,882.18	53,600,122.40
<b>Total revenues</b>		<b>1,097,993,924.44</b>	<b>914,902,728.30</b>	<b>1,056,396,913.14</b>	<b>880,713,626.72</b>
<b>Costs</b>					
Cost of sales		(606,721,556.73)	(624,780,227.02)	(590,299,934.54)	(608,389,014.35)
Cost of rendering of services		(21,876,128.72)	(6,912,495.85)	10,777,631.79)	(7,602,572.56)
Cost of construction and service contracts	30	(232,742,880.99)	(42,922,781.41)	(240,870,040.49)	(50,626,199.05)
<b>Total costs</b>		<b>(861,340,566.44)</b>	<b>(674,615,504.28)</b>	<b>(841,947,606.82)</b>	<b>(666,617,785.96)</b>
<b>Gross profit</b>		<b>236,653,358.00</b>	<b>240,287,224.02</b>	<b>214,449,306.32</b>	<b>214,095,840.76</b>
Gain (loss) on exchange rate - net		3,477,539.85	(683,214.74)	4,197,109.72	(714,890.14)
Other income		1,394,219.32	3,039,700.08	3,096,748.23	2,929,471.53
Selling expenses		(92,295,481.82)	(101,587,093.94)	(77,759,381.51)	(85,717,728.21)
Administrative expenses		(97,982,302.70)	(88,107,150.72)	(91,777,022.65)	(80,243,806.41)
Penalties arising from delays of constructions	7	(56,511,506.75)	-	(55,499,695.75)	-
Written off prepaid expenses	6	-	(5,932,947.76)	-	(5,150,000.00)
Loss on impairment of investments	9	-	-	-	(3,385,686.00)
Finance costs		(11,007,199.81)	(4,254,834.74)	(10,964,850.24)	(4,219,812.85)
<b>Profit before income tax</b>		<b>(16,271,373.91)</b>	<b>42,761,682.20</b>	<b>(14,257,785.88)</b>	<b>37,593,388.68</b>
Income tax (expenses) benefit	27	1,017,888.57	(9,713,956.91)	1,588,663.32	(9,429,565.03)
<b>Profit for the year</b>		<b>(15,253,485.34)</b>	<b>33,047,725.29</b>	<b>(12,669,122.56)</b>	<b>28,163,823.65</b>
<b>Other comprehensive loss</b>					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Exchange differences on translating financial statements of foreign operation		(47,403.09)	(30,880.64)	-	-
<b>Other comprehensive loss for the year</b>		<b>(47,403.09)</b>	<b>(30,880.64)</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income (loss) for the year</b>		<b>(15,300,888.43)</b>	<b>33,016,844.65</b>	<b>(12,669,122.56)</b>	<b>28,163,823.65</b>

The accompanying notes are an integral part of the financial statements



## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (cont'd)

PHOL DHANYA PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES  
FOR THE YEAR ENDED DECEMBER 31, 2016

Unit : Baht

	Notes	Consolidated financial statements		Separate financial statements	
		2016	2015	2016	2015
<b>Profit (loss) attributable to:</b>					
Equity holders of the Company		(15,246,171.63)	34,312,608.32	(12,669,122.56)	28,163,823.65
Non-controlling interests		(7,313.71)	(1,264,883.03)	-	-
		(15,253,485.34)	33,047,725.29	(12,669,122.56)	28,163,823.65
<b>Total comprehensive income (loss) attributable to:</b>					
Equity holders of the Company		(15,293,574.72)	34,281,727.68	(12,669,122.56)	28,163,823.65
Non-controlling interests		(7,313.71)	(1,264,883.03)	-	-
		(15,300,888.43)	33,016,844.65	(12,669,122.56)	28,163,823.65
<b>Earnings per share</b>					
	24				
Basic earnings per share (Baht)		(0.08)	0.21	(0.07)	0.17
Weighted average number of ordinary shares (shares)		189,797,244	161,999,986	189,797,244	161,999,986
Diluted earnings per share (Baht)		(0.08)	0.21	(0.06)	0.17
Weighted average number of ordinary shares for diluted earnings per share		194,977,476	161,999,986	194,977,476	161,999,986

The accompanying notes are an integral part of the financial statements

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

PHOL DHANYA PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES  
FOR THE YEAR ENDED DECEMBER 31, 2016

Unit : Baht

		Consolidated financial statements									
		Equity attributable to shareholders' equity of the Company					Other component of shareholders' equity				
		Issued and paid-up share capital	Premium on share capital	Deficit from the Change in the ownership interests in subsidiary	Retained earnings (Deficit) Appropriated for legal reserve	Unappropriated	(loss) income Translating financial statements	Total other component of shareholders' equity	Non-controlling interests	Total Shareholders' Equity	
Notes											
		(Restated)					(Restated)				
		161,999,986.00	97,693,443.03	(648,834.28)	16,200,000.00	48,848,349.73	37,058.48	37,058.48	324,130,002.96	(2,833,731.04)	321,296,271.92
		-	-	(1,538,401.98)	-	-	-	-	(1,538,401.98)	1,538,401.98	-
		161,999,986.00	97,693,443.03	(2,187,236.26)	16,200,000.00	48,848,349.73	37,058.48	37,058.48	322,591,600.98	(1,295,329.06)	321,296,271.92
		Changes in equity for the year									
		Increasing of share capital									
		40,499,996.00	40,149,996.00	-	-	-	-	-	80,649,992.00	-	80,649,992.00
		Dividend paid									
		-	-	-	-	(35,639,996.92)	-	-	(35,639,996.92)	-	(35,639,996.92)
		Total comprehensive loss for the year									
		-	-	-	-	(15,246,171.63)	(47,403.09)	(47,403.09)	(15,293,574.72)	(7,313.71)	(15,300,888.43)
		202,499,982.00	137,843,439.03	(2,187,236.26)	16,200,000.00	(2,037,818.82)	(10,344.61)	(10,344.61)	352,308,021.34	(1,302,642.77)	351,005,378.57
		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
		-	-	(1,538,401.98)	-	-	-	-	(1,538,401.98)	1,538,401.98	-
		161,999,986.00	97,693,443.03	(1,538,401.98)	16,200,000.00	46,935,418.61	67,939.12	67,939.12	321,358,384.78	(679,280.31)	320,679,104.47
		Changes in equity for the year									
		Dividend paid									
		-	-	-	-	(32,399,677.20)	-	-	(32,399,677.20)	-	(32,399,677.20)
		Deficit from the change in the ownership interests in subsidiary									
		-	-	(648,834.28)	-	-	-	-	(648,834.28)	648,834.28	-
		Total comprehensive income (loss) 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
		161,999,986.00	97,693,443.03	(2,187,236.26)	16,200,000.00	48,848,349.73	37,058.48	37,058.48	322,591,600.98	(1,295,329.06)	321,296,271.92

The accompanying notes are an integral part of the financial statements

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (cont'd)

PHOL DHANYA PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES  
FOR THE YEAR ENDED DECEMBER 31, 2016

Unit : Baht

	Notes	Separate financial statements				Total
		Issued and paid-up share capital	Premium on share capital	Retained earnings (Deficit)		
				Appropriated - statutory reserve	Unappropriated	
<b>Balance as at January 1, 2016</b>		<b>161,999,986.00</b>	<b>97,693,443.03</b>	<b>16,200,000.00</b>	<b>48,082,013.01</b>	<b>323,975,442.04</b>
Changes in equity for the year						
Increasing of share capital	22	40,499,996.00	40,149,996.00	-	-	80,649,992.00
Dividend paid	25	-	-	-	(35,639,996.92)	(35,639,996.92)
Total comprehensive loss for the year		-	-	-	(12,669,122.56)	(12,669,122.56)
<b>Balance as at December 31, 2016</b>		<b>202,499,982.00</b>	<b>137,843,439.03</b>	<b>16,200,000.00</b>	<b>(227,106.47)</b>	<b>356,316,314.56</b>
<b>Balance as at January 1, 2015</b>		<b>161,999,986.00</b>	<b>97,693,443.03</b>	<b>16,200,000.00</b>	<b>52,317,866.56</b>	<b>328,211,295.59</b>
Changes in equity for the year						
Dividend paid	25	-	-	-	(32,399,677.20)	(32,399,677.20)
Total comprehensive income for the year		-	-	-	28,163,823.65	28,163,823.65
<b>Balance as at December 31, 2015</b>		<b>161,999,986.00</b>	<b>97,693,443.03</b>	<b>16,200,000.00</b>	<b>48,082,013.01</b>	<b>323,975,442.04</b>

The accompanying notes are an integral part of the financial statements

## STATEMENT OF CASH FLOWS

PHOL DHANYA PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES  
FOR THE YEAR ENDED DECEMBER 31, 2016

Unit : Baht

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
<b>Cash flows from operating activities:</b>				
Profit (loss) before income tax	(16,271,373.91)	42,761,682.20	(14,257,785.88)	37,593,388.68
Adjustment to reconcile profit to net cash by (used in) operating activities				
Bad debt	564,649.53	-	564,649.53	-
Doubtful accounts	68,998.95	923,539.53	7,751,169.01	2,799,140.16
Reversal allowance for doubtful accounts - trade receivables	(817,304.31)	(549,218.00)	(567,142.05)	(549,218.00)
Reversal allowance for doubtful accounts - other receivables	(639,251.27)	-	(639,251.27)	-
Other receivables and deposit written-off	2,273,932.38	347,449.67	2,273,932.38	347,449.67
Written-off prepaid expenses	-	5,932,947.76	-	5,150,000.00
Loss on diminution in value of inventories	4,719,373.84	5,455,599.27	4,719,373.84	5,455,599.27
Reversal of allowance for diminution in value of inventories	(2,636,803.51)	(4,358,633.44)	(2,636,803.51)	(4,358,633.44)
Loss from inventories written-off	-	711,410.48	-	711,410.48
Loss on impairment of investments in subsidiary	-	-	-	3,385,686.00
Depreciation and amortisation	19,990,836.12	14,475,964.37	18,375,472.49	14,260,129.33
Loss (gain) on disposal of fixed assets	956,346.79	(113,180.15)	311,975.71	(119,344.74)
Employee benefits expenses	2,697,887.01	2,532,331.10	2,519,196.88	2,177,131.70
Unrealized gain on exchange rate	(347,603.28)	(858,940.54)	(343,095.84)	(858,940.54)
Penalties arising from delays of construction	56,405,732.75	-	55,499,695.75	-
Provision for project warranty	69,444.59	103,825.00	-	-
Interest income	(737,764.52)	(414,611.62)	(1,190,705.25)	(384,322.04)
Interest expense	11,007,199.81	4,254,834.74	10,964,850.24	4,219,812.85
Profit from operations before changes in operating assets and liabilities	77,304,300.97	71,205,000.37	83,345,532.03	69,829,289.38
Operating assets (increase) decrease				
Trade and other receivables	(23,867,517.41)	(31,908,094.70)	(11,667,739.75)	(39,270,036.70)
Unbilled receivables	(127,741,472.07)	(20,786,395.77)	(127,502,339.25)	(18,510,174.77)
Inventories	(13,944,333.18)	(15,197,332.00)	(1,051,939.26)	(7,667,800.06)
Advance payments for constructions	(110,340,908.50)	(18,251,876.64)	(112,838,650.13)	(18,251,876.64)
Other non-current liabilities	(1,021,750.60)	(143,000.00)	-	-
Operating liabilities increase (decrease)				
Trade and other payables	(26,085,287.16)	6,676,815.33	(41,481,668.10)	11,790,902.13
Other non-current liabilities	(89,600.00)	(10,000.00)	(89,600.00)	(10,000.00)
Cash received from operating activities	(225,786,567.95)	(8,414,883.41)	(211,286,404.46)	(2,089,696.66)
Cash paid for corporate income tax	(12,348,856.33)	(14,795,285.81)	(11,585,122.10)	(12,897,244.49)
<b>Net cash used in operating activities</b>	<b>(238,135,424.28)</b>	<b>(23,210,169.22)</b>	<b>(222,871,526.56)</b>	<b>(14,986,941.15)</b>

The accompanying notes are an integral part of the financial statements

## STATEMENT OF CASH FLOWS (cont'd)

PHOL DHANYA PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES  
FOR THE YEAR ENDED DECEMBER 31, 2016

Unit : Baht

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
<b>Cash flows from investing activities:</b>				
Payments for investment in subsidiaries	-	-	-	(1.00)
Repayment from short-term loans to related party	-	-	10,000,000.00	7,800,000.00
Increase in short-term loans to related parties	-	-	(32,000,000.00)	(17,800,000.00)
Increase in loan to employees	113,898.71	251,555.75	226,190.17	312,804.17
Proceeds from sales of fixed assets	1,557,009.36	1,693,084.12	1,557,009.36	1,693,084.12
Acquisition of fixed assets	(15,896,042.53)	(5,325,027.50)	(7,800,075.38)	(4,515,647.49)
Acquisition of leasehold right	-	(450,000.00)	-	-
Acquisition of intangible assets	(1,054,000.00)	(873,875.35)	(1,054,000.00)	(626,335.35)
Interest received	737,764.52	414,611.62	1,190,705.25	384,322.04
<b>Net cash used in investing activities</b>	<b>(14,541,369.94)</b>	<b>(4,289,651.36)</b>	<b>(27,880,170.60)</b>	<b>(12,751,773.51)</b>
<b>Cash flows from financing activities:</b>				
Increase in short-term loans from financial institutions	169,096,274.83	98,175,658.97	168,049,708.75	98,175,658.97
Receipt of long-term loans from financial institutions	50,000,000.00	-	50,000,000.00	-
Repayment of long-term loans from financial institutions	(12,545,000.00)	(6,000,000.00)	(12,545,000.00)	(6,000,000.00)
Repayment of liabilities under long-term lease agreements	(3,929,322.06)	(355,243.88)	(2,792,684.10)	(335,648.76)
Interest paid	(5,162,502.74)	(4,219,340.02)	(5,261,068.97)	(4,184,318.13)
Proceeds from increase in share capital	80,649,992.00	-	80,649,992.00	-
Dividends paid	(35,639,996.92)	(32,399,677.20)	(35,639,996.92)	(32,399,677.20)
<b>Net cash from financing activities</b>	<b>242,469,445.11</b>	<b>55,201,397.87</b>	<b>242,460,950.76</b>	<b>55,256,014.88</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(10,207,349.11)</b>	<b>27,701,577.29</b>	<b>(8,290,746.40)</b>	<b>27,517,300.23</b>
Exchange differences on translating financial statements of foreign operation	(77,220.77)	(184,810.97)	-	-
Cash and cash equivalents at beginning of the year	59,136,988.83	31,620,222.51	47,403,075.72	19,885,775.49
<b>Cash and cash equivalents at end of the year</b>	<b>48,852,418.95</b>	<b>59,136,988.83</b>	<b>39,112,329.32</b>	<b>47,403,075.72</b>
<b>Supplemental cash flow information</b>				
<b>Non-cash transactions</b>				
Fix assets obtained under finance leases	23,528,339.23	-	2,841,930.00	-
Office equipment obtained under hire purchase agreement	-	4,518,143.50	-	4,009,299.08
Transfer raw materials and inventories to fixed assets	-	1,762,791.29	-	1,762,791.29
Increase in payable for purchasing of fixed assets	-	14,276,250.00	-	14,276,250.00

The accompanying notes are an integral part of the financial statements

## NOTES TO FINANCIAL STATEMENTS

PHOL DHANYA PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES  
FOR THE YEAR ENDED DECEMBER 31, 2016

### 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.

### Basis of preparation of consolidation financial statements

- a. The consolidated financial statements include 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 (%)	
			2016	2015
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	100.00	100.00
Phol Water Co., Ltd.	Thailand	the community in Cambodia Production and distribution of water supply in the form of concessions, both government and private sector	99.99	99.99



- b. The Company is deemed to have control over an investee or subsidiary if it has rights to, or is exposed to, variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns.
- c. Subsidiaries are fully consolidated as from the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
- d. The financial statements of the subsidiaries are prepared using the same significant accounting policies as the Company.
- e. Material balances and transactions between the Company and its subsidiaries have been eliminated from the consolidated financial statements.
- f. Non-controlling interests represent the portion of profit or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated profit or loss and within equity in the consolidated statement of financial position.

### **New Thai Financial Reporting Standards**

#### **a. Financial reporting standards that became effective in the current year**

During the year, the Company and subsidiaries have adopted the revised (revised 2015) and new financial reporting standards and accounting treatment guidance issued by the Federation of Accounting Professions which become effective for fiscal years beginning on or after 1 January 2016. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards. The adoption of these financial reporting standards does not have any significant impact on the Company and its subsidiaries' financial statements.

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

During the current year, the Federation of Accounting Professions issued a number of the revised financial reporting standards and interpretations (revised 2016) which is effective for fiscal years beginning on or after 1 January 2017. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards.

The management of the Company and its subsidiaries believe that the revised and new financial reporting standards and interpretations will not have any significant impact on the financial statements when they are initially applied. However, one standard involves changes to key principles, which are summarised below.

##### TAS 27 (revised 2016) Separate Financial Statements

This revised standard stipulates an additional option to account for investments in subsidiaries in financial statements under the equity method, as described in TAS 28 (revised 2016) Investments in Associates and Joint Ventures. However, the entity is to apply the same accounting treatment for each category of investment. If an entity elects to account for such investments using the equity method in the separate financial statements, it has to adjust the transaction retrospectively.

### 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 and deferred service revenue” under current liabilities in the statements of financial position.

Revenue of water supply systems for villages and the water treatment system contracts may decrease as a result of penalties arising from delays caused by the Group.

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 “Advance payments for constructions/ Advance payments for services” 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/Accrued service costs” under current liabilities in the statement of financial position.

The Group recognizes expected losses on uncompleted contracts and penalties arising from delays that the Group not seeks to collect from subcontractors as expenses in the period immediately.

##### *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:

	Useful life (years)
Building and building improvements	20 - 30
Utility system	10
Demonstration goods and tools	5
Furniture and equipments	3 - 5
Vehicles	5
Water well drillings machines	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:

	Useful life (years)
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 amortisation period and the amortisation method of such intangible assets are reviewed at least at each financial year end.

The amortisation expense is charged to the statement of profit or loss.

A summary of the intangible assets with finite useful lives is as follows:

	Useful life (years)
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 comprehensive income (loss) and presented in the exchange differences as a separate component of shareholders' equity until the disposal of the foreign operation.

#### **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 (loss).

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 utilized. 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.

### **Earnings (loss) per share**

The calculations of basic earnings (loss) per share for the year were based on the profit (loss) for the year attributable to equity holders divided by the weighted average number of ordinary shares held by outsiders outstanding during the year. The calculations of diluted earnings (loss) per share for the year were based on the weighted average number of ordinary shares on the assumption that all dilutive potential ordinary shares have been converted to ordinary shares.

### **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.

##### *Investment properties, and property plant and equipment/Depreciation*

In determining depreciation of investment properties, and plant and equipment, the management is required to make estimates of the useful lives and salvage values of the Company's building and equipment and to review estimate useful lives and salvage values when there are any changes.

In addition, the management is required to review investment properties, and property, plant and equipment for impairment on a periodical basis and record impairment losses in the period when it is determined that their recoverable amount is lower than the carrying amount. This requires judgments regarding forecast of future revenues and expenses relating to the assets subject to the review

#### *Construction contracts*

The Group recognizes construction revenue by reference to the stage of completion of construction contract activities, when the group of a construction contract can be estimated reliably. The stage of completion is measured by reference to surveys of work and estimates performed by project management. Management is required to make judgments and estimates based on past experience and information obtained from the project management.

#### *Estimated construction project costs*

The Group estimates costs of construction projects based on details of the construction work, taking into account the volume and value of construction materials to be used in the project, labor costs and other costs to be incurred to complete the construction service, and any changing trends in these costs. Estimates are reviewed regularly or whether actual costs differ significantly from the figures used in the original estimates.

#### *Estimated expenses for construction projects*

In determining estimated expenses for construction projects, Management is required to use judgment and fact information to estimate losses that may be incurred from warranties and claims on the construction contract works. The estimates are made through a combination of specific reviews of construction projects, analysis of actual claims incurred and historical statistic information, among others. However, the use of different estimates and assumptions could affect the amounts of estimated expenses for construction projects.

#### *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 related parties as at December 31, 2016 and 2015 are as follows:

Unit : Baht

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
<b>Trade and other receivables-related parties - net</b>				
<b>Trade receivables - related parties</b>				
Phol Palladium Co., Ltd.	-	-	6,126,343.85	16,191,527.84
Phol Dhanya (Cambodia) Co., Ltd.	-	-	6,024,291.53	4,865,171.97
Phol Water Co., Ltd.	-	-	2,195,683.01	2,530,974.80
<b>Total trade receivables - related parties</b>	-	-	<b>14,346,318.39</b>	<b>23,587,674.61</b>
Less Allowance for doubtful accounts	-	-	(6,024,291.53)	(2,125,762.89)
<b>Total trade receivables - related parties - net</b>	-	-	<b>8,322,026.86</b>	<b>21,461,911.72</b>
<b>Other receivables - related parties</b>				
PD Genesis Engineering Co., Ltd.	-	-	126,278.09	126,278.09
Phol Palladium Co., Ltd.	-	-	53,500.00	-
Phol Dhanya (Cambodia) Co., Ltd.	-	-	3,783,641.42	3,080,271.22
Phol Water Co., Ltd.	-	-	117,700.00	-
<b>Total other receivables - related parties</b>	-	-	<b>4,081,119.51</b>	<b>3,206,549.31</b>
Less Allowance for doubtful accounts	-	-	(3,909,919.51)	(126,278.09)
<b>Total other receivables - related parties - net</b>	-	-	<b>171,200.00</b>	<b>3,080,271.22</b>
<b>Trade and other receivables-related parties - net</b>	-	-	<b>8,493,226.86</b>	<b>24,542,182.94</b>

Unit : Baht

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
<b>Short-term loans to related parties – net</b>				
PD Genesis Engineering Co., Ltd.	-	-	5,000,000.00	5,000,000.00
Phol Palladium Co., Ltd.	-	-	5,000,000.00	-
Phol Water Co., Ltd.	-	-	27,000,000.00	10,000,000.00
<b>Total short-term loans to related parties – net</b>	-	-	<b>37,000,000.00</b>	<b>15,000,000.00</b>
Less Allowance for doubtful accounts	-	-	(5,000,000.00)	(5,000,000.00)
<b>Short-term loans to related parties – net</b>	-	-	<b>32,000,000.00</b>	<b>10,000,000.00</b>
<b>Trade and other payables – related parties</b>				
<b>Trade payable – related party</b>				
Phol Palladium Co., Ltd.	-	-	25,466.00	-
Phol Water Co., Ltd.	-	-	306,069.22	677,003.47
<b>Accrued cost of construction for water project – related party</b>				
Phol Water Co., Ltd.	-	-	2,291,090.00	16,139,199.98
<b>Total trade payable – related party</b>	-	-	<b>2,622,625.22</b>	<b>16,816,203.45</b>
<b>Other payable – related party</b>				
Phol Water Co., Ltd.	-	-	119,182.20	352,410.28
<b>Total other payable – related party</b>	-	-	<b>119,182.20</b>	<b>352,410.28</b>
<b>Trade and other payables–related parties</b>	-	-	<b>2,741,807.42</b>	<b>17,168,613.73</b>

4.3 During the year ended December 31, 2016, movements of short-term loans to related parties were as follows:

Unit : Baht

	January 1,	Movement during the year		December 31,
	2016	Increase	Decrease	2016
<b>Short-term loans to related parties – net</b>				
<b>Separate financial statements</b>				
<u>Subsidiaries</u>				
PD Genesis Engineering Co., Ltd.	5,000,000.00	-	-	5,000,000.00
Phol Palladium Co., Ltd.	-	5,000,000.00	-	5,000,000.00
Phol Water Co., Ltd.	10,000,000.00	27,000,000.00	(10,000,000.00)	27,000,000.00
<b>Total short-term loans to related parties</b>	<b>15,000,000.00</b>	<b>32,000,000.00</b>	<b>(10,000,000.00)</b>	<b>37,000,000.00</b>
Less Allowance for doubtful accounts	(5,000,000.00)	-	-	(5,000,000.00)
<b>Total short-term loans to related parties – net</b>	<b>10,000,000.00</b>	<b>32,000,000.00</b>	<b>(10,000,000.00)</b>	<b>32,000,000.00</b>

- 4.3.1 The Company provided a short-term loan to its subsidiary company, Phol Palladium Co., Ltd., by issuing a promissory note, which is repayable at call and with an interest rate 4.70% per annum.
- 4.3.2 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 4.70% per annum. (2015: 5.00% per annum)
- 4.3.3 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, 2016 and 2015, with related parties were as follows:

Unit : Baht

	Consolidated financial statements		Separate financial statements		Transfer pricing policy
	2016	2015	2016	2015	
<b>Subsidiaries</b>					
<b>Phol Palladium Co., Ltd.</b>					
Purchase of goods	-	-	851,422.00	103,500.00	Cost plus margin 5 - 15%
Sale of goods	-	-	23,422,530.97	44,114,569.67	Cost plus margin, as Mutually agreement (2015: Cost plus margin 5 - 15%)
Service income	-	-	30,833.00	-	Cost plus margin 5 - 15%
Management fee income	-	-	600,000.00	-	Mutually agreed price
Interest income	-	-	182,849.32	-	Interest rate 4.7% per annum
<b>Phol Dhanya (Cambodia) Co., Ltd.</b>					
Sale of goods	-	-	1,179,828.24	2,506,211.49	Cost plus margin 5 - 15%
<b>Phol Water Co., Ltd.</b>					
Purchase of goods	-	-	381,778.00	740,284.58	Mutually agreed price (2015: 15 - 30%)
Cost of service for water treatment system	-	-	331,509.00	2,234,216.50	Cost plus margin 15% (2015: Cost plus margin 15 - 30%)
Cost of construction for water project	-	-	16,195,435.33	47,869,905.28	Cost plus margin 15 - 30 %
Commission expenses	-	-	65,306.47	566,638.23	Mutually agreed price
Sale of goods	-	-	3,846,759.22	8,674,690.04	Cost plus margin 5 - 15%
Management fee income	-	-	600,000.00	-	Mutually agreed price
Rental income	-	-	600,000.00	-	Mutually agreed price
Interest income	-	-	337,271.24	-	Interest rate 4.7% per annum



#### 4.5 Compensation for directors and key management personnel

Compensation for directors and key management personnel for the year ended December 31, 2016 and 2015 consisted of:

Unit : Baht

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Short-term benefits	22,054,050.62	18,899,753.08	20,135,764.29	16,837,289.40
Post-employment benefits	489,686.00	356,657.10	489,686.00	356,657.10
<b>Total compensation for directors key management personnel</b>	<b>22,543,736.62</b>	<b>19,256,410.18</b>	<b>20,625,450.29</b>	<b>17,193,946.50</b>

#### 4.6 Guarantee commitments for related parties

As at December 31, 2016, 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. in the amount 10 of million. As of this report, Baht 5.71 million of this credit facility has been used.
- Bank overdrafts with a financial institution for the subsidiary, Phol Palladium Co., Ltd. in the amount of 10 million, they have been unused.
- Letter of guarantee with a financial institution for the subsidiary, Phol Water Co., Ltd. under a joint credit facility with a Baht 10 million credit limit. As of this report, Baht 1.08 million of this credit facility has been used.
- Letters of credits and trust receipt with a financial institution for the subsidiary, Phol Water Co.,Ltd. under a joint credit facility with a Baht 10 million credit limit, Baht 1.15 million of this credit facility has been used.
- Guarantee payment of finance lease for the subsidiary, Phol Water Co., Ltd., with the leasing company in amount Baht 21.68 million.

## 5. CASH AND CASH EQUIVALENTS

As at December 31, 2016 and 2015, this account consisted of:

Unit : Baht

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Cash on hand	543,660.51	856,807.25	282,873.17	434,617.56
Saving deposits	26,389,735.51	28,456,965.16	19,636,587.73	21,093,228.11
Current deposits	19,699,871.51	28,794,740.81	17,218,409.29	24,846,754.44
Checks received but not yet deposited	3,692,607.00	3,125,435.07	2,896,924.26	3,125,435.07
Outstanding checks	(1,473,455.58)	(2,096,959.46)	(922,465.13)	(2,096,959.46)
<b>Total cash and cash equivalents</b>	<b>48,852,418.95</b>	<b>59,136,988.83</b>	<b>39,112,329.32</b>	<b>47,403,075.72</b>

## 6. TRADE AND OTHER RECEIVABLES - NET

6.1 As at December 31, 2016 and 2015, this account consisted of:

Unit : Baht

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
<b>Trade receivables</b>				
Trade receivables - other parties	151,550,831.30	155,899,498.05	131,708,392.37	136,214,025.73
Trade receivables - related parties	-	-	14,346,318.39	23,587,674.61
<b>Total trade receivables</b>	<b>151,550,831.30</b>	<b>155,899,498.05</b>	<b>146,054,710.76</b>	<b>159,801,700.34</b>
<u>Less</u> Allowance for doubtful accounts	(5,256,214.45)	(6,004,519.81)	(7,433,540.98)	(4,033,155.44)
<b>Trade receivables - net</b>	<b>146,294,616.85</b>	<b>149,894,978.24</b>	<b>138,621,169.78</b>	<b>155,768,544.90</b>
<b>Other receivables</b>				
Other receivables - related parties	-	-	4,081,119.51	3,206,549.31
Advance payment for inventories - other parties	9,323,162.01	3,963,138.99	8,755,636.22	3,963,138.99
Receivables for penalties arising from delays of constructions	11,236,777.42	-	11,236,777.42	-
Advance payments	15,744,382.76	1,925,418.87	15,672,324.76	1,925,418.87
Guarantee for bidding	538,650.00	2,083,951.00	538,650.00	1,864,970.00
Prepaid expenses	1,879,944.25	1,015,643.31	1,453,582.07	937,794.02
Prepaid insurance	649,026.76	740,470.22	649,026.76	740,470.22
Input Value Added Tax not yet due	4,706,454.01	2,583,210.07	2,884,399.05	2,214,605.86
Deposit for customs duty	5,200.00	567,262.15	5,200.00	567,262.15
Withholding tax receivable	1,144,340.80	643,336.20	-	170,086.10
Refundable import duty	4,126,982.11	12,878,381.97	4,126,982.11	12,878,381.97
Revenue department receivables	5,170,041.00	1,395,066.78	3,849,995.51	532,540.72
Others	1,123,823.52	2,679,039.60	280,675.02	1,991,128.80
<b>Total other receivables</b>	<b>55,648,784.64</b>	<b>30,474,919.16</b>	<b>53,534,368.43</b>	<b>30,992,347.01</b>
<u>Less</u> Allowance for doubtful accounts	-	(673,377.27)	(3,909,919.51)	(799,655.36)
<b>Other receivables - net</b>	<b>55,648,784.64</b>	<b>29,801,541.89</b>	<b>49,624,448.92</b>	<b>30,192,691.65</b>
<b>Trade and other receivables - net</b>	<b>201,943,401.49</b>	<b>179,696,520.13</b>	<b>188,245,618.70</b>	<b>185,961,236.55</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, 2016 and 2015, the Group had outstanding balances of trade accounts receivable aged by number of days outstanding as follows:

Unit : Baht

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
<b>Trade receivables – other parties</b>				
Not yet due	86,589,771.91	96,827,917.92	79,006,315.04	91,920,644.38
Over due:				
1-60 days	46,951,793.75	44,985,611.19	40,483,460.53	39,299,714.92
61-120 days	2,735,497.47	3,206,097.03	2,083,462.27	1,626,896.63
121-180 days	788,562.67	4,426,506.22	783,113.07	787,430.87
Over 180 days	14,485,205.50	6,453,365.69	9,352,041.46	2,579,338.93
<b>Total trade receivables – other parties</b>	<b>151,550,831.30</b>	<b>155,899,498.05</b>	<b>131,708,392.37</b>	<b>136,214,025.73</b>
Less Allowance for doubtful accounts	(5,256,214.45)	(6,004,519.81)	(1,409,249.45)	(1,907,392.55)
<b>Trade receivables other parties – net</b>	<b>146,294,616.85</b>	<b>149,894,978.24</b>	<b>130,299,142.92</b>	<b>134,306,633.18</b>
<b>Trade receivables – related parties</b>				
Not yet due	-	-	8,322,026.86	9,595,491.79
Over due:				
1-60 days	-	-	5,316.73	9,149,117.39
61-120 days	-	-	42,459.65	246,479.10
121-180 days	-	-	120,329.55	433,760.20
Over 180 days	-	-	5,856,185.60	4,162,826.13
<b>Total trade receivables – related parties</b>	<b>-</b>	<b>-</b>	<b>14,346,318.39</b>	<b>23,587,674.61</b>
Less Allowance for doubtful accounts	-	-	(6,024,291.53)	(2,125,762.89)
<b>Total trade receivables – related parties</b>	<b>-</b>	<b>-</b>	<b>8,322,026.53</b>	<b>21,461,911.72</b>
<b>Total trade receivables – net</b>	<b>146,294,616.85</b>	<b>149,894,978.24</b>	<b>138,621,169.78</b>	<b>155,768,544.90</b>

## 7. CONSTRUCTION CONTRACTS

Balances of accounts in relation to water supply systems for villages and the water treatment system construction contracts for the year ended December 31, 2016 and 2015 comprised:

Unit : Baht

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
<b>Unbilled receivables</b>				
Project value as per contract	400,397,215.24	65,996,748.57	389,675,037.11	60,481,384.08
Accumulated amount recognized as revenue on percentage of completion method	318,298,225.17	57,945,265.89	308,311,004.58	53,600,122.40
<u>Less</u> Value of total billed	(178,276,187.72)	(37,307,781.77)	(170,639,765.09)	(35,089,947.63)
<b>Unbilled receivables</b>	<b>140,022,037.45</b>	<b>20,637,484.12</b>	<b>137,671,239.49</b>	<b>18,510,174.77</b>
<u>Add</u> Value Added Tax	9,801,542.62	1,444,623.88	9,636,986.76	1,295,712.23
<b>Unbilled receivables</b>	<b>149,823,580.07</b>	<b>22,082,108.00</b>	<b>147,308,226.25</b>	<b>19,805,887.00</b>
<b>Advance payments for constructions</b>				
Estimated construction project costs	(369,329,356.94)	(48,414,414.97)	(368,472,006.96)	(57,100,673.50)
Calculated cost of construction under percentage of completion	(275,665,662.40)	(42,922,781.41)	(291,496,239.54)	(50,626,199.05)
<u>Less</u> Incurred construction costs	408,539,228.41	47,203,562.28	424,019,033.39	52,058,466.13
Advance payments for constructions	132,873,566.01	4,280,780.87	132,522,793.85	1,432,267.08
Advance payments for constructions which have not yet been started	-	18,251,876.64	-	18,251,876.64
<b>Total advance payments for constructions</b>	<b>132,873,566.01</b>	<b>22,532,657.51</b>	<b>132,522,793.85</b>	<b>19,684,143.72</b>

As at December 31, 2016, the Group estimated the provision for penalties arising from construction delays of water supply systems for village projects and groundwater well drilling projects for the consolidated and separate financial statements in the amounts of Baht 97.11 million and Baht 96.48 million, respectively. However, the Group has the right to charge a portion of penalties back to sub-contractors for the consolidated and separate financial statements in the amounts of Baht 80.39 million and Baht 79.80 million, respectively. The Group assessed its ability to reclaim the penalties from the sub-contractors and estimated provisions in the amount of Baht 51.69 million in the event the Group cannot reclaim such penalties from the sub-contractors including the liabilities of the Group for its portion of penalties in the amount of Baht 4.82 million which recorded as a provision for penalties arising from delays of construction.

## 8. INVENTORIES - NET

As at December 31, 2016 and 2015, this account consisted of:

Unit : Baht

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Finished goods	226,935,535.34	206,425,061.90	209,317,519.97	199,899,898.32
Goods in transit	17,421,541.10	26,824,499.77	17,421,541.10	25,836,136.81
Consignment goods	371,760.80	322,847.48	371,760.80	322,847.48
Work in progress	2,787,905.09	-	-	-
<b>Total inventories</b>	<b>247,516,742.33</b>	<b>233,572,409.15</b>	<b>227,110,821.87</b>	<b>226,058,882.61</b>
<u>Less</u> Allowance for diminution in value of inventories	(12,431,077.33)	(10,348,507.00)	(12,431,077.33)	(10,348,507.00)
Inventories - net	235,085,665.00	223,223,902.15	214,679,744.54	215,710,375.61

Movements of allowance for diminution in value of inventory for the year ended December 31, 2016 and 2015, are as follows:

Unit : Baht

	Consolidated and Separate financial statements	
	2016	2015
<b>Balance as at January 1,</b>	<b>10,348,507.00</b>	<b>9,251,541.17</b>
Increase during the year	4,719,373.84	5,455,599.27
Reversal	(2,636,803.51)	(4,358,633.44)
<b>Balance as at December 31,</b>	<b>12,431,077.33</b>	<b>10,348,507.00</b>

## 9. INVESTMENT IN SUBSIDIARY COMPANIES - NET

As at December 31, 2016 and 2015, this account consisted of:

Unit : Baht

Company	Separate financial statements							
	Share Holding %		2016			2015		
	2016	2015	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
Phol Dhanya (Cambodia) Co., Ltd.	100.00	100.00	6,770,686.00	(6,770,686.00)	-	6,770,686.00	(6,770,686.00)	-
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>29,270,626.00</b>	<b>(18,270,686.00)</b>	<b>10,999,940.00</b>

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, 2016 and 2015, this account consisted of:

Unit : Baht

	Share Holding %	Consolidated and Separate financial statements	
		2016	2015
N&P Holding Company Limited			
Cost	2	1,000,000.00	1,000,000.00
<u>Less</u> Allowance for impairment		(1,000,000.00)	(1,000,000.00)
<b>Net</b>		-	-

## 11. LONG-TERM LOAN TO EMPLOYEES

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, 2016 and 2015, this account consisted of:

Unit : Baht

	Consolidated and Separate financial statements			
	Balance as at December 31, 2015	Movement during the year		Balance as at December 31, 2016
		Increase	Decrease	
<b>Cost</b>				
Land	1,370,160.00	-	-	1,370,160.00
Building and building improvements	23,061,322.48	-	-	23,061,322.48
<b>Total Cost</b>	<b>24,431,482.48</b>	-	-	<b>24,431,482.48</b>
<b>Accumulated depreciation</b>				
Building and building improvements	16,731,207.99	477,675.95	-	17,208,883.94
<b>Total Accumulated depreciation</b>	<b>16,731,207.99</b>	<b>477,675.95</b>	-	<b>17,208,883.94</b>
<b>Net book value</b>	<b>7,700,274.49</b>			<b>7,222,598.54</b>

The Company has appraised its investment properties and leasehold right on 4 locations as follows:

Unit : Million Baht

Location	Net book value			Appraisal value	Independent appraisers	Appraisal reports dated
	Investment properties	Leasehold right	Total			
1	2.89	-	2.89	5.00	Noble Property Valuation Co., Ltd	January 5, 2017
2	2.34	-	2.34	7.80	Noble Property Valuation Co., Ltd	December 27, 2016
3	1.74	-	1.74	6.38	Noble Property Valuation Co., Ltd	October 28, 2014
4	0.25	1.92	2.17	3.94	Noble Property Valuation Co., Ltd	October 28, 2014
	7.22	1.92	9.14			

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 1.92 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, 2016 and 2015, have been charged to profit or loss of consolidated and separate financial statements amounted to Baht 0.48 million for both years.

As at December 31, 2016 and 2015, 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 for both years.

As at December 31, 2016 and 2015, investment property, at net book value of Baht 6.97 million and Baht 7.93 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, 2016 and 2015, this account consisted of:

Unit : Baht

	Consolidated financial statements					Balance as at December 31, 2016
	Balance as at December 31, 2015	Movement during the year			Exchange differences on translating financial statements	
		Increase	Decrease	Reclassify		
<b>Cost</b>						
Land	32,384,486.00	-	-	-	-	32,384,486.00
Building and building improvements	102,216,648.74	165,000.00	(1,607,609.83)	-	(36,081.54)	100,737,957.37
Furniture and equipment	23,450,297.67	8,172,677.54	(1,077,939.93)	15,897.29	(8,056.15)	30,552,876.42
Demonstration goods and tools	19,698,040.51	2,260,591.58	-	-	-	21,958,632.09
Vehicles	16,610,523.14	95,724.30	(5,099,794.39)	-	(3,257.13)	11,603,195.92
Utility system	14,893,388.14	222,600.00	-	-	-	15,115,988.14
Water well drilling machines	-	21,865,389.70	-	-	-	21,865,389.70
Assets under water sales agreement	6,576,979.80	-	-	-	-	6,576,979.80
Safety equipment for rent	14,969,795.75	-	-	(15,897.29)	-	14,953,898.46
Construction in progress	-	6,702,058.90	-	-	-	6,702,058.90
<b>Total Cost</b>	<b>230,800,159.75</b>	<b>39,484,042.02</b>	<b>(7,785,344.15)</b>	<b>-</b>	<b>(47,394.82)</b>	<b>262,451,462.80</b>
<b>Accumulated depreciation</b>						
Building and building improvements	32,069,133.35	3,607,957.51	(1,032,666.77)	-	(15,961.25)	34,628,462.84
Furniture and equipment	19,277,080.31	3,169,200.85	(1,006,550.25)	203.23	(1,475.07)	21,438,459.07
Demonstration goods and tools	13,515,433.03	1,959,952.33	-	-	-	15,475,385.36
Vehicles	7,496,231.06	961,106.96	(3,232,770.98)	-	(115.92)	5,224,451.12
Utility system	10,085,207.88	1,519,388.74	-	-	-	11,604,596.62
Water well drilling machines	-	850,523.76	-	-	-	850,523.76
Assets under water sales agreement	6,433,023.09	1,456,171.91	-	-	-	7,889,195.00
Safety equipment for rent	1,231,682.55	4,984,149.15	-	(203.23)	-	6,215,628.47
<b>Total Accumulated depreciation</b>	<b>90,107,791.27</b>	<b>18,508,451.21</b>	<b>(5,271,988.00)</b>	<b>-</b>	<b>(17,552.24)</b>	<b>103,326,702.24</b>
<b>Net book value</b>	<b>140,692,368.48</b>					<b>159,124,760.56</b>

Unit : Baht

	Separate financial statements				Balance as at December 31, 2016
	Balance as at December 31, 2015	Movement during the year			
		Increase	Decrease	Reclassify	
<b>Cost</b>					
Land	32,384,486.00	-	-	-	32,384,486.00
Building and building improvements	100,061,310.58	165,000.00	-	-	100,226,310.58
Furniture and equipment	22,548,337.45	7,995,190.62	(904,846.38)	15,897.29	29,654,578.98
Demonstration goods	19,571,434.01	2,163,490.46	-	-	21,734,924.47
Vehicles	15,629,636.62	95,724.30	(5,099,794.39)	-	10,625,566.53
Utility system	14,767,196.82	222,600.00	-	-	14,989,796.82
Assets under water sales agreement	9,884,202.50	-	-	-	9,884,202.50
Safety equipment for rent	14,969,795.75	-	-	(15,897.29)	14,953,898.46
<b>Total Cost</b>	<b>229,816,399.73</b>	<b>10,642,005.38</b>	<b>(6,004,640.77)</b>	<b>-</b>	<b>234,453,764.34</b>
<b>Accumulated depreciation</b>					
Building and building improvements	31,224,758.12	3,286,748.84	-	-	34,511,506.96
Furniture and equipment	18,950,341.54	2,804,155.70	(902,884.72)	203.23	20,851,815.75
Demonstration goods	13,813,521.21	1,964,846.82	-	-	15,778,368.03
Vehicles	7,615,658.15	806,936.78	(3,232,770.98)	-	5,189,823.95
Utility system	9,733,318.66	1,477,213.96	-	-	11,210,532.62
Assets under water sales agreement	8,079,248.95	1,768,679.67	-	-	9,847,928.62
Safety equipment for rent	1,231,682.55	4,984,149.15	-	(203.23)	6,215,628.47
<b>Total Accumulated depreciation</b>	<b>90,648,529.18</b>	<b>17,092,730.92</b>	<b>(4,135,655.70)</b>	<b>-</b>	<b>103,605,604.40</b>
<b>Net book value</b>	<b>139,167,870.55</b>				<b>130,848,159.94</b>

Depreciations for the year ended December 31, 2016 and 2015, have been charged to profit or loss of consolidated financial statements amounted to Baht 18.83 million and Baht 13.59 million, respectively, and have been charged to profit or loss of separate financial statements amounted to Baht 17.09 million and Baht 12.86 million, respectively.

As at December 31, 2016 and 2015, land, including buildings and structure thereon at net book value of Baht 88.42 million and Baht 91.25 million respectively, has been mortgaged to secure its short-term loan and long-term loan with a financial institution.

As at December 31, 2016 and 2015, certain plant and equipment items have been fully depreciated but are still in use. The original cost of those assets are Baht 38.71 million and Baht 26.91 million, respectively.

As at December 31, 2016 and 2015, the Group had water well drilling machines, equipment and motor vehicles under financial lease agreements with a net book value in consolidated financial statements in the amount of Baht 27.48 million and Baht 5.85 million and separate financial statements in the amount of Baht 6.51 million and Baht 5.34 million, respectively.

In September, 2016, a subsidiary, Phol Water Co., Ltd., purchased machinery and equipment from two companies for Baht 6.76 million and paid for the purchase of such machinery and equipment. Subsequently, on September 28, 2016, the subsidiary entered into sale and purchase agreements with a financial institution to sell the machinery and equipment in the amount equal to their purchase price. On the same date the subsidiary also had entered into hire-purchase agreements with the same financial institution to lease back the machinery and equipment. Such hire-purchase agreements were guaranteed by the Company. However, the subsidiary received money from the financial institutions for the sale of the machinery and equipment on September 19, 2016 and recorded the sales and lease back transaction on the same date.

#### 14. LEASEHOLD RIGHT - NET

As at December 31, 2016 and 2015, this account consisted of:

Unit : Baht

	Consolidated financial statements			
	Balance as at December 31, 2015	Movement during the year		Balance as at December 31, 2016
		Increase	Decrease	
Cost	6,050,000.00	-	-	6,050,000.00
Amortization	(3,575,345.70)	(375,315.46)	-	(3,950,661.16)
<b>Net book value</b>	<b>2,474,654.30</b>			<b>2,099,338.84</b>

Unit : Baht

	Separate financial statements			
	Balance as at December 31, 2015	Movement during the year		Balance as at December 31, 2016
		Increase	Decrease	
Cost	5,600,000.00	-	-	5,600,000.00
Amortization	(3,450,345.70)	(225,315.46)	-	(3,675,661.16)
<b>Net book value</b>	<b>2,149,654.30</b>			<b>1,924,338.84</b>

Amortization for the year ended December 31, 2016 and 2015, have been charged to profit or loss of consolidated financial statements amounted to Baht 0.38 million and Baht 0.35 million, respectively, and have been charged to profit or loss of separate financial statements amounted to Baht 0.23 million for both years.

## 15. INTANGIBLE ASSETS - NET

As at December 31, 2016 and 2015, this account consisted of:

Unit : Baht

	Consolidated financial statements			Balance as at December 31, 2016
	Balance as at December 31, 2015	Movement during the year		
		Increase	Decrease	
Cost	11,492,537.75	1,054,000.00	-	12,546,537.75
Amortization	(9,932,612.61)	(629,393.50)	-	(10,562,006.11)
<b>Net book value</b>	<b>1,559,925.14</b>			<b>1,984,531.64</b>

Unit : Baht

	Separate financial statements			Balance as at December 31, 2016
	Balance as at December 31, 2015	Movement during the year		
		Increase	Decrease	
Cost	11,244,997.75	1,054,000.00	-	12,298,997.75
Amortization	(9,912,673.86)	(579,750.16)	-	(10,492,424.02)
<b>Net book value</b>	<b>1,332,323.89</b>			<b>1,806,573.73</b>

Amortization for the year ended December 31, 2016 and 2015, has been charged to profit or loss of consolidated financial statements amounted to Baht 0.63 million and Baht 0.71 million, respectively and charged to profit or loss of separate financial statements amounted to Baht 0.58 million and Baht 0.69 million, respectively.

As at December 31, 2016 and 2015, 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 for both years.

## 16. DEFERRED TAX

Deferred tax as at December 31, 2016 and 2015 were consisted of:

Unit : Baht

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Deferred tax assets	18,468,742.89	6,118,782.82	18,027,923.29	5,844,875.56
Deferred tax liabilities	-	-	-	-

Movements in deferred tax assets during year ended December 31, 2016 and 2015 were as follows:

Unit : Baht

	Consolidated financial statements			Separate financial statements		
	As at January 1, 2016	Profit (loss)	As at December 31, 2016	As at January 1, 2016	Profit (loss)	As at December 31, 2016
<b>Deferred tax assets</b>						
Allowance for doubtful accounts	566,186.41	(284,336.52)	281,849.89	516,153.96	(234,304.07)	281,849.89
Allowance for devaluation of inventories	2,069,701.40	416,514.06	2,486,215.46	2,069,701.40	416,514.06	2,486,215.46
Depreciation of safety equipment for rent	94,058.38	397,059.21	491,117.59	94,058.38	397,059.21	491,117.59
Employee benefit obligations	3,388,835.99	539,577.41	3,928,413.40	3,164,961.82	503,839.38	3,668,801.20
Provision for penalties arising from delays of constructions	-	11,281,146.55	11,281,146.55	-	11,099,939.15	11,099,939.15
<b>Total</b>	<b>6,118,782.18</b>	<b>12,349,960.71</b>	<b>18,468,742.89</b>	<b>5,844,875.56</b>	<b>12,183,047.73</b>	<b>18,027,923.29</b>

Unit : Baht

	Consolidated financial statements			Separate financial statements		
	As at January 1, 2015	Profit (loss)	As at December 31, 2015	As at January 1, 2015	Profit (loss)	As at December 31, 2015
<b>Deferred tax assets</b>						
Allowance for doubtful accounts	491,322.11	74,864.30	566,186.41	491,322.11	24,831.85	516,153.96
Allowance for devaluation of inventories	1,850,308.25	219,393.15	2,069,701.40	1,850,308.25	219,393.15	2,069,701.40
Depreciation of safety equipment for rent	-	94,058.38	94,058.38	-	94,058.38	94,058.38
Employee benefit obligations	2,830,579.34	558,256.65	3,388,835.99	2,729,535.48	435,426.34	3,164,961.82
<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>

## 17. BANK OVERDRAFTS AND SHORT-TERM LOANS FROM FINANCIAL INSTITUTIONS

As at December 31, 2016 and 2015, this account consisted of:

Unit : Baht

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Bills of Exchange	200,000,000.00	100,000,000.00	200,000,000.00	100,000,000.00
Less discount	(1,261,397.84)	(874,689.76)	(1,261,397.84)	(874,689.76)
Bills of Exchange - net	198,738,602.16	99,125,310.24	198,738,602.16	99,125,310.24
Short-term loan - Promissory notes	75,000,000.00	40,000,000.00	75,000,000.00	40,000,000.00
Short-term loan - Trust receipts	39,835,715.83	-	38,789,149.75	-
<b>Total bank overdrafts and short - term loans from financial institutions</b>	<b>313,574,317.99</b>	<b>139,125,310.24</b>	<b>312,527,751.91</b>	<b>139,125,310.24</b>

Board of Directors' Meeting No. 8/2015, held on November 17, 2015, approved the Company to issue Bills of Exchange, totaling not more than Baht 200 million with interest rate 3.5% to 4% per annum for 4-month maturity to a financial institution for offering to High Net Worth Investors or Institutional Investors for purpose of working capital for water project.

As at December 31, 2016 the Company has Bills of Exchange amount Baht 200 million with interest rate 3.45% per annum for 4-month.

As at December 31, 2016 and 2015, the interest rate of bank overdrafts and short-term loans from financial institutions, were as follows:

	Interest rate per annum	
	2016	2015
Short-term loan - Promissory note	Interest rate of a bank announcement (3.15% to 3.50%)	Interest rate of a bank and MLR-1.50 (3.70 to 3.75%)
Short-term loan – Bills of Exchange	Discount rate 3.45%	Discount rate 3.55%
Short-term loan - Trust receipts	Interest rate of a bank announcement and MRR (2.50% to 3.00%)	-

The Company has mortgaged its land, including buildings and structure thereon to secure its bank overdrafts and other credit facilities with financial institutions. (Excluding Bills of Exchange)

## 18. TRADE AND OTHER PAYABLES

As at December 31, 2016 and 2015, this account consisted of:

Unit : Baht

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
<b>Trade payables</b>				
Trade payables-other parties				
- Domestic	30,317,488.26	31,221,164.17	23,795,547.33	22,605,683.93
- Foreign	74,016,601.43	87,676,185.54	70,444,070.77	85,226,176.83
Trade payable - related parties	-	-	331,535.22	677,003.47
Accrued cost of constructions for water project - related party	-	-	2,291,090.00	16,139,199.98
<b>Total trade payables</b>	<b>104,334,089.69</b>	<b>118,897,349.71</b>	<b>96,862,243.32</b>	<b>124,648,064.21</b>
<b>Other payables</b>				
Account payables for purchase of fixed assets	-	15,275,587.50	-	15,275,587.50
Value Added Tax and withholding tax payable	11,590,537.93	3,571,483.79	10,326,548.07	1,812,237.85
Accrued commission expenses	4,542,487.45	6,349,547.76	3,611,099.44	4,990,949.72
Accrued bonus expenses	1,429,534.88	6,194,803.00	1,205,082.33	5,490,185.00
Management remuneration	500,000.00	1,930,000.00	500,000.00	1,930,000.00
Advance received from customers	3,152,265.63	1,722,151.44	543,730.63	408,031.44
Unearned rental and service revenue	7,764,839.70	10,100,051.10	7,764,839.70	10,100,051.10
Accrued import expenses	682,259.00	1,468,666.62	682,259.00	1,468,666.62
Accrued expenses	9,160,164.68	5,454,175.28	6,457,167.08	4,073,700.53
Others	1,452,507.82	908,588.59	1,187,357.75	476,716.78
Other payable - related party	-	-	119,182.20	352,410.28
<b>Total other payables</b>	<b>40,274,597.09</b>	<b>52,975,055.08</b>	<b>32,397,266.20</b>	<b>46,378,536.82</b>
<b>Total trade and other payables</b>	<b>144,608,686.78</b>	<b>171,872,404.79</b>	<b>129,259,509.52</b>	<b>171,026,601.03</b>



## 19. LONG-TERM LIABILITIES UNDER FINANCE LEASE - NET

As at December, 2016 and 2015, this account consisted of:

Unit : Baht

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
<b>Liabilities under finance lease</b>				
- Within 1 year	6,820,045.86	1,289,427.72	2,135,343.54	1,151,343.72
- Over 1 year but not over 5 years	20,043,982.66	3,941,378.54	2,725,456.44	3,550,140.54
<u>Less</u> Deferred interest expenses	(2,156,880.24)	(556,966.87)	(333,587.86)	(516,893.96)
<b>Present value of liabilities under finance lease</b>	<b>24,707,148.28</b>	<b>4,673,839.39</b>	<b>4,527,212.12</b>	<b>4,184,590.30</b>
<u>Less</u> Current portion of liabilities under finance lease	(5,971,585.52)	(1,065,944.88)	(1,958,342.37)	(945,561.06)
<b>Net</b>	<b>18,735,562.76</b>	<b>3,607,894.51</b>	<b>2,568,869.75</b>	<b>3,239,029.24</b>

Liabilities under finance lease of subsidiary were guaranteed payment by the Company in the entire amount.

## 20. LONG-TERM LOANS FROM FINANCIAL INSTITUTIONS - NET

As at December 31, 2016 and 2015, this account consisted of:

Unit : Baht

	Consolidated and Separate financial statements	
	2016	2015
Long-term loans from financial institutions as at January 1,	10,000,000.00	16,000,000.00
Addition	50,000,000.00	-
Repayment	(12,545,000.00)	(6,000,000.00)
<u>Less</u> Current portion of long-term loans	(11,140,000.00)	(6,000,000.00)
<b>Net</b>	<b>36,315,000.00</b>	<b>4,000,000.00</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.

On January 26, 2016, the Company entered into the long-term agreement facility of Baht 50 million with the same local commercial bank for supporting its Core-Trading Asset such as inventories of the Company. The Company has a commitment to repay the loan principal in 84 monthly installments, of which the 1st – 83rd installments are Baht 595,000 each and the 84th installment is the remaining loan principal amount. The loan bearing interest rate of THBFX plus 1.85% per annum (4.7%) or in case of the interest rate of THBFX less than 0.5% per annum, the Company has to use the rate of 0.5% per annum. The first principal and interest installment was February 2016.

Under the term of such long-term agreement facility for supporting its Core-Trading Asset, the Company has committed to comply with following certain conditions:

- Maintain a Debt to Equity Ratio not more than 2 but not less than zero.
- Maintain a Debt-Service Coverage Ratio (DSCR) not less than 2.

As at December 31, 2016, the Company did not comply with the loan agreement relating to maintaining the Debt Service Coverage Ratio. However, the management of the Company believed that the negotiation with the financial institution and rectification of such problem will be successful.

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

Movement of the present value of employee benefit obligations for the years ended December 31, 2016 and 2015 were as follows:

	Unit : Baht			
	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
<b>Employee benefit at beginning of year</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>
Included in profit or loss:				
Current service cost	2,348,307.01	2,158,911.58	2,174,060.88	1,826,881.68
Interest cost	349,580.00	373,419.52	345,136.00	350,250.02
Included in other comprehensive income:				
Actuarial (gains) losses arising from	-	-	-	-
Financial assumptions changes	-	-	-	-
Experience adjustments	-	-	-	-
Benefit paid during the year	-	-	-	-
<b>Employee benefit obligations at end of year</b>	<b>19,642,067.00</b>	<b>16,944,179.99</b>	<b>18,344,006.00</b>	<b>15,824,809.12</b>

Employee benefit expenses in profit or loss for the year ended December 31, 2016 and 2015, consisted of:

	Unit : Baht			
	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Selling expenses	1,124,922.11	1,388,659.99	1,155,483.00	1,826,881.68
Administrative expenses	1,572,964.90	1,143,671.11	1,363,713.88	350,250.02
<b>Total employee benefit expenses</b>	<b>2,697,887.01</b>	<b>2,532,331.10</b>	<b>2,519,196.88</b>	<b>2,177,131.70</b>

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.

Principal actuarial assumptions as at December 31, 2016 and 2015 (represented by the weighted—average) consisted of:

Unit : Baht

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Discount rate	2.18% - 2.38%	2.51% -3.59%	2.18%	2.51% -3.59%
Future monthly salary increase rate	5.00%	5.00%	5.00%	5.00%
Mortality rate	100% of Mortality Tables of 2008		100% of Mortality Tables of 2008	

The result of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligations as at December 31, 2016 are summarised below:

Unit : Baht

	Change of the present value of the employee benefit obligations			
	Consolidated financial statements		Separate financial statements	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
Discount rate	(2,225,917.00)	2,671,176.00	(2,036,387.00)	2,443,425.00
Salary increase rate	2,364,567.00	(2,031,264.00)	2,147,445.00	(1,846,257.00)
Turnover rate	(2,339,175.00)	1,108,703.00	(2,139,755.00)	1,008,261.00

As at December 31, 2016, the maturity analysis of undiscounted cash flows of benefit payments was as follows:

Unit : Baht

	Consolidated financial statements	Separate financial statements
Within 1 year	718,988.00	718,988.00
Over 1 and up to 5 years	3,259,609.00	3,259,609.00
Over 5 years	156,735,858.00	132,320,600.00

## 22. SHARE CAPITAL

Board of Directors' Meeting of the Company No. 7/2016, held on July 20, 2016 and Extraordinary Shareholders' Meeting No. 1/2016 held on August 29, 2016 had approved the decrease, increase and allotment of share capital as follows:

- 1) Decrease the Company's registered share capital from the existing registered capital of Baht 162,000,000 to Baht 161,999,986 by way of eliminating 14 unissued shares at the par value of Baht 1. (The Company registered the decrease of share capital with the Ministry of Commerce on September 7, 2016)
- 2) Issue and allot 40,499,996 new ordinary shares to the existing shareholders of the Company in proportion to their shareholding (Rights Offer) at a ratio of 4 existing shares to 1 new ordinary share, at an offer price of Baht 2 per share. (Total amount of the subscription shares is Baht 80,999,992. Share capital premium of Baht 40,499,996 and their direct transaction costs of Baht 350,000 are presented net in premium on share capital account. The Company received all of such subscription shares and registered the paid-up share capital with the Ministry of Commerce on October 7, 2016)
- 3) Issue and allot no more than 40,499,996 warrant units to purchase the Company's Ordinary Shares No. 1, (PHOL-W1) offered to the existing shareholders of the Company who subscribe for the new ordinary shares (according to Clause No. 2) at a ratio of 1 subscription share to 1 new warrant and at a ratio of 1 warrant unit to 1 ordinary share at an exercise price of Baht 3 per share. The term of the warrants is 2 years from the issue date.

The Company issued and allotted such warrants on November 1, 2016 and set the exercise date every 6 month. The first exercise date is April 28, 2017 and the last exercise date is October 31, 2018.

As at December 31, 2016 the Company have warrant units to purchase the Company's Ordinary shares (PHOL-W1) of 40,499,996 warrants.

- 4) Issue and allot 8,000,000 warrant units to purchase the Company's ordinary shares offered to Directors and Employees of the Company No. 1 (ESOP-Warrant) at an offer ratio of 1 unit of warrant to 1 ordinary share and at an exercise price of Baht 3 per share. The warrant term is 3 years from the issue date. (As at December 31, 2016, the Company has not yet set the exercise date and has not yet issued such warrants)
- 5) Increase the Company's registered share capital of Baht 88,999,992 from the existing registered share capital of Baht 161,999,986 (after the decrease of registered share capital) to Baht 250,999,978 by issuing 88,999,992 ordinary shares at a par value of Baht 1 for offer to the existing shareholders and as a reserve for the exercise of warrants PHOL-W1 and ESOP-Warrant. (The Company registered the additional share capital with the Ministry of Commerce on September 9, 2016)

#### Features of Warrants (PHOL-W1) allotted to existing shareholders

Type:	Registered and transferable warrants for the purchase of ordinary shares
Offering units:	40,499,996 warrants
Offering price per unit:	Baht 0 (Baht Zero)
Term:	2 years from the issue date
Exercise ratio:	1 warrant: 1 ordinary share.
Exercise price:	One warrant unit is entitled to purchase one ordinary share at Baht 3 per share
Exercise of Warrants:	Warrant Holders shall be entitled to exercise their rights under Warrants on the last Business Day of every April and October of each year throughout the term of the Warrants.

The Market for Alternative Investment (mai) has granted a listing of certificates representing the rights to purchase shares (warrants) of the Company from November 11, 2016.

### 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.

### 24. EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share is calculated by dividing the net profit (loss) attributable to shareholders by the weighted average number of ordinary shares in issue and paid-up during the year.

Basic earnings (loss) per share for the years ended 31 December are as follows:

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Net profit (loss) attributable to ordinary shares ( Baht)	(15,246,172)	34,312,608	(12,669,123)	28,163,824
Weighted average ordinary shares (shares)	189,797,244	161,999,986	189,797,244	161,999,986
Diluted earnings (loss) per share (Baht)	(0.08)	0.21	(0.07)	0.17

Diluted earnings (loss) per share for the year ended 31 December are as follows:

Unit : Baht

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Net profit (loss) attributable to ordinary shares ( Baht)	(15,246,172)	34,312,608	(12,669,123)	28,163,824
Weighted average ordinary shares (shares)	189,797,244	161,999,986	189,797,244	161,999,986
Adjustment for:				
Assumed conversion of warrants	5,180,232	-	5,180,232	-
Weighted average number of ordinary shares for diluted earnings per share	194,977,476	161,999,986	194,977,476	161,999,986
Diluted earnings (loss) per share (Baht)	(0.08)	0.21	(0.06)	0.17

## 25. DIVIDEND PAID

### *Year 2016*

Board of Directors' Meeting of the Company No. 8/2016, held on August 10, 2016 approved the payment of interim dividend of Baht 0.10 per share from the six-month period operation ended June 30, 2016, in the total amount of Baht 16.20 million. The dividends paid on September 7, 2016.

Board of Directors Meetings No. 2/2016 held on February 23, 2016, and Annual General Meeting of the shareholders No. 1/2016 held on April 26, 2016, approved the last payment of dividend for the year 2015 on May 23, 2016 of Baht 0.12 per share, of the total number of shares 161.99 million, in the amount of Baht 19.44 million. The total dividend payment was Baht 32.40 million equivalents to 94.42 percent of net profit for the year 2015.

### *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 shares 161.99 million, 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.

## 26. EXPENSES BY NATURE

Significant expenses by nature for the years ended December 31, 2016 and 2015 were as follow:

Unit : Baht

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Changes in finished goods and work in progress	(23,347,291.85)	(11,626,164.40)	(9,466,534.97)	(4,096,632.46)
Purchase of goods	581,164,856.09	637,954,765.35	552,536,507.17	616,745,302.94
Sub-contractor payments	201,805,350.62	47,203,562.28	200,021,846.52	52,058,466.13
Depreciation and amortization	19,990,836.12	14,475,964.37	18,375,472.49	14,260,129.33
Salaries, wages and other employee benefits	114,932,429.41	114,332,792.52	99,597,053.84	97,039,984.19
Advertising and promotion expenses	6,024,803.67	5,989,285.83	5,696,453.47	5,696,008.25
Delivery expenses	7,791,589.78	7,452,450.05	7,683,944.68	7,047,825.78
Utility expenses	4,044,381.51	4,223,252.27	3,953,706.22	4,163,886.19
Written off prepaid expenses	-	5,932,947.76	-	5,150,000.00
Doubtful accounts (reversal)	(181,163.31)	-	7,751,169.01	-
Provision for penalties arising from delays of constructions	56,511,506.75	-	55,499,695.75	-

## 27. INCOME TAX EXPENSE

Income tax expense for the year ended December 31, 2016 and 2015 as follows:

Unit : Baht

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
<b>Current tax expense</b>				
Current period	(13,367,849.28)	10,660,529.39	(12,156,834.88)	10,203,274.75
<b>Deferred tax expense</b>				
Movements in temporary differences	12,349,960.71	(946,572.48)	11,616,852.58	(773,709.72)
<b>Income tax expenses (benefit)</b>	<b>(1,017,888.57)</b>	<b>9,713,956.91</b>	<b>(1,588,663.32)</b>	<b>9,429,565.03</b>

Reconciliation of effective tax rate for the year ended December 31, 2016 and 2015 as follows:

	Consolidated financial statements			
	2016		2015	
	Tax rate (%)	Unit: Baht	Tax rate (%)	Unit: Baht
<b>Profit (loss) before income tax</b>		<b>(16,271,373.91)</b>		<b>42,761,682.20</b>
Income tax using the corporate tax rate	20.00	(3,254,274.78)	20.00	8,552,336.44
Effect from eliminate transactions	8.96	(1,457,041.32)	(0.32)	(138,404.72)
Expenses not deductible for tax purposes	(12.73)	2,071,224.94	2.98	1,276,237.42
Expenses that are deductible at a greater amount from actual expenses	4.91	(798,967.64)	(0.72)	(306,924.83)
Current year losses for which no deferred tax assets was recognized	(15.20)	2,472,960.66	1.99	853,184.27
Prior year losses which no deferred tax assets was recognized but used to reduce current tax expenses	-	-	(1.11)	(470,681.23)
Prior year temporary differences which no deferred tax assets was recognized	0.32	(51,790.43)	(0.12)	(51,790.43)
<b>Income tax expenses (benefit)</b>	<b>6.26</b>	<b>(1,017,888.57)</b>	<b>22.72</b>	<b>9,713,956.91</b>

Unit : Baht

	Separate financial statements			
	2016		2015	
	Tax rate (%)	Unit: Baht	Tax rate (%)	Unit: Baht
<b>Profit before income tax</b>		<b>(14,257,785.88)</b>		<b>37,593,388.68</b>
Income tax using the corporate tax rate	20.00	(2,851,557.18)	20.00	7,518,677.74
Expenses not deductible for tax purposes	(14.46)	2,061,861.50	5.90	2,217,812.12
Expenses that are deductible at a greater amount from actual expenses	5.60	(798,967.64)	(0.82)	(306,924.83)
<b>Income tax expenses (benefit)</b>	<b>11.14</b>	<b>(1,588,663.32)</b>	<b>25.08</b>	<b>9,429,565.03</b>



The deferred tax asset is not recognized in the statement of financial position; consisted of:

Unit : Baht

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Unused tax losses				
Expire in next 1 year	-	4,840,642.70	-	-
Expire in 2 - 5 years	7,560,372.96	10,293,073.49	-	-
Temporary differences	-	-	-	-
<b>Total</b>	<b>7,560,372.96</b>	<b>15,133,716.19</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.

## 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, 2016 and 2015, the Company, and its subsidiaries contributed Baht 2.87 million and 2.71 million, respectively.

## 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, 2016 and 2015 was as follows:

Unit: Thousand Baht

	Trading in Health and Safety		Water Treatment		Water supply		Elimination of inter-segment		Consolidation	
	Products		System		systems for villages		revenues			
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Revenue from sales and rendered services	817,658	820,267	28,327	73,080	252,009	21,556	-	-	1,097,994	914,903
Intersegment revenues	25,058	44,856	8,952	43,784	12,895	18,170	(46,905)	(106,810)	-	-
Cost of sales and rendered Services	(629,469)	(665,901)	(38,472)	(79,592)	(240,555)	(36,692)	47,155	107,569	(861,341)	(674,616)
<b>Segment gross profit</b>	<b>213,247</b>	<b>199,222</b>	<b>(1,193)</b>	<b>37,272</b>	<b>24,349</b>	<b>3,034</b>	<b>250</b>	<b>759</b>	<b>236,653</b>	<b>240,287</b>
Penalties arising from delays of constructions			(1,012)		(55,500)				(56,512)	-
Unallocated income and expenses:										
Gain (loss) on exchange rate – net									3,478	(683)
Other income									1,394	3,040
Selling expenses									(92,295)	(101,587)
Administrative expenses									(97,982)	(88,107)
Written off prepaid expenses									-	(5,933)
Finance costs									(11,007)	(4,255)
Income tax (expenses) benefit									1018	(9,714)
<b>Profit (loss) for the year</b>			<b>(2,205)</b>		<b>(31,151)</b>				<b>(15,253)</b>	<b>33,048</b>

The Group's business segment information and reconciliation of reportable segment total assets to the Group's assets as at December 31, 2016 and 2015 as follow:

Unit : Thousand Baht

	Consolidated financial statements	
	2016	2015
Investment properties - net	7,223	7,700
Property plant and equipment - net	159,125	140,692
Unallocated assets	794,606	519,006
<b>Total assets</b>	<b>960,954</b>	<b>667,398</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, 2016 and 2015 was as follows:

	Unit : Thousand Baht	
	Revenues	
	2016	2015
Thailand	1,086,454	904,710
Other countries	11,540	10,193
<b>Total</b>	<b>1,097,994</b>	<b>914,903</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. MAJOR SUPPLIERS

The Group has major suppliers as the subcontractors of water supply systems for villages project as follows:

- Max Water Shop Co., Ltd.
- Khon Kaen Watertech Co., Ltd.
- Song Khwae Water Co., Ltd.
- Nakornping Enterprise Co., Ltd.
- C. Gold Limited Partnership
- Asia Metal Sheet and Steel Limited Partnership

30.1 The balances of the accounts between the Group and those major suppliers as at December 31, 2016 and 2015 are as follows:

Unit : Baht

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
<b>Trade and other receivables</b>				
Other receivables				
Max Water Shop Co., Ltd.	12,700,204.85	-	12,556,824.85	-
Khon Kaen Watertech Co., Ltd.	1,263,953.91	-	1,189,421.20	-
Song Khwae Water Co., Ltd.	16,000.00	-	16,000.00	-
Nakomping Enterprise Co., Ltd.	1,381,487.60	-	1,381,487.60	-
C. Gold Limited Partnership	1,225,486.32	-	1,225,486.32	-
Asia Metal Sheet and Steel Limited Partnership	757,150.00	-	757,150.00	-
<b>Total other receivables</b>	<b>17,344,282.68</b>	<b>-</b>	<b>17,126,369.97</b>	<b>-</b>
<b>Advance payments for constructions</b>				
Max Water Shop Co., Ltd.	34,984,090.72	-	34,984,090.72	-
Khon Kaen Watertech Co., Ltd.	7,171,290.72	-	7,171,290.72	-
Song Khwae Water Co., Ltd.	1,102,096.02	-	1,102,096.02	-
Nakomping Enterprise Co., Ltd.	16,575,654.83	-	16,575,654.83	-
C. Gold Limited Partnership	26,314,721.83	-	26,314,721.83	-
Asia Metal Sheet and Steel Limited Partnership	17,763,776.17	-	17,763,776.17	-
<b>Total advance payments for constructions</b>	<b>103,911,630.29</b>	<b>-</b>	<b>103,911,630.29</b>	<b>-</b>
<b>Trade and other payables</b>				
Trade payables				
Max Water Shop Co., Ltd.	173,796.27	-	173,796.27	-
Khon Kaen Watertech Co., Ltd.	165,325.82	-	165,325.82	-
<b>Total trade payable</b>	<b>339,122.09</b>	<b>-</b>	<b>339,122.09</b>	<b>-</b>

30.2 The transactions with major supplier for the year ended December 31, 2016 and 2015 were as follows:

Unit : Baht

	Consolidated financial statements		Separate financial statements		Transfer pricing policy
	2016	2015	2016	2015	
<b>Cost of construction</b>					
Max Water Shop Co., Ltd.	68,540,841.02	8,421,962.62	68,299,626.81	-	Mutually agreed price
Khon Kaen Watertech Co., Ltd.	29,821,566.78	8,944,859.81	28,724,370.52	-	Mutually agreed price
Song Khwae Water Co., Ltd.	11,613,967.11	-	11,613,967.11	-	Mutually agreed price
Nakornping Enterprise Co., Ltd.	19,944,696.17	-	19,944,696.17	-	Mutually agreed price
C. Gold Limited Partnership	41,406,568.60	-	40,682,743.24	-	Mutually agreed price
Asia Metal Sheet and Steel Limited Partnership	16,320,336.96	-	16,320,336.96	-	Mutually agreed price

### 31. PRIOR YEAR ADJUSTMENT

During the first quarter of 2016, the Company found the error due to un-recognition of change in the Company's ownership interest in subsidiary company, PD Genesis Engineering Co., Ltd. Therefore the Company's management made an adjustment by increasing the deficit from the change in the ownership interests in the consolidated financial statements, so the statements of financial position as at December 31, 2015 and January 1, 2015, are as follows:

Unit : Baht

Account	As at December 31, 2015	As at January 1, 2015
<b>Consolidated statement of financial position</b>		
Increase in non-controlling interests	1,538,401.98	1,538,401.98
Increase in deficit from the change in the ownership interests in subsidiary	(1,538,401.98)	(1,538,401.98)
Decrease in shareholder's equity of the Company	(1,538,401.98)	(1,538,401.98)

### 32. 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 companies**

### **Phol 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, 2016, there are outstanding commitments and contingent liabilities with financial institutions as follows:

Unit: Million Baht

	Consolidated financial statements			Separate financial statements		
	Credit arrangement	Used	Unused	Credit arrangement	Used	Unused
1) Letters of credits and trust receipts	198.00	39.94	158.06	198.00	38.79	159.21
2) Promissory notes	130.00	75.00	55.00	120.00	75.00	45.00
3) Letters of guarantee	80.70	60.82	19.88	70.70	54.03	16.67
4) Bank overdrafts	61.50	-	61.50	61.50	-	61.50
5) Forward exchange contracts	225.00	14.15	210.85	225.00	14.15	210.85
6) Forward exchange contracts US Dollars 1.15 million of credit arrangement and as at December 31, 2016, they have been unused.						

The above facilities were secured by mortgaging its land and building.

The subsidiary guarantee letters of credits and trust receipt credit facility of the parent company within limit of Baht 10 million.

## **Contingent liabilities**

### **Litigations**

#### **PD 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 plaint 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 in the Central Intellectual Property and International Trade Court under Black Case No. Gor Kor. 223/2558. On January 5, 2016, the subsidiary filed a rejoinder statement with the Court. The Court conducted several rounds of conciliation for the case up until the present time. On February 2, 2017, counsel for both plaintiff and defendant informed the Court that they cannot agree to settle the case and, as such, will return the case to the Court for its consideration. The Court set May 25, 2017 to hear evidence from both plaintiff and defendant.

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.

### 33. 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, 2016, 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 December 31, 2016 and 2015 are summarised below.

Unit : Baht

As at December 31, 2016						
Foreign currency	Consolidated financial statements		Separate financial statements		Exchange rate as at December 31, 2016	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities	(Baht per foreign currency unit)	
					Buying rate	Selling rate
Euro	67,656.17	2,408,551.65	67,656.17	1,361,985.57	37.3791	38.1362
US Dollars	8,775,122.74	32,094,897.74	14,760,715.84	30,972,375.79	35.6588	36.0025
Singapore Dollars	51,628.28	18,201,466.42	51,628.28	18,201,466.42	24.5265	25.0755
Pound Sterling	-	61,147.67	-	61,147.67	43.5937	44.4775
Yen	-	257,934.82	-	257,934.82	30.4566	31.1335
Renminbi	22,990.86	-	22,990.86	-	5.0831	5.2165
Malaysian Ringgit	7,500.25	-	7,500.25	-	7.8867	8.0925
Vietnamese Dong	841.60	-	841.60	-	0.0016	0.0016

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 Dollars	5,925,131.28	65,173,777.47	10,751,604.81	62,402,243.34	35.9233	36.2538
Singapore Dollars	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



### 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.

## 34. 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, 2016, the Group's debt-to-equity ratio was 1.74: 1 (2015: 1.07: 1) and the Company's was 1.60: 1 (2015: 1.06: 1).

## 35. RECLASSIFICATION

Certain amounts in the financial statements for the year ended December 31, 2015, have been reclassified to conform to the current year's classification but with no effect to previously reported net income or shareholders' equity. The reclassifications are as follows:

Unit : Baht

Account	Consolidated financial statements		
	As previously reported	Reclassified amount	As reclassified
<b>Statement of financial position</b>			
Trade and other receivables - net	180,992,232.36	(1,295,712.23)	179,696,520.13
Unbilled receivables	20,786,395.77	1,295,712.23	22,082,108.00
Inventories - net	227,504,683.02	(4,280,780.87)	223,223,902.15
Advance payments for constructions	18,251,876.64	4,280,780.87	22,532,657.51

Unit : Baht

Account	Separated financial statements		
	As previously reported	Reclassified amount	As reclassified
<b>Statement of financial position</b>			
Trade and other receivables - net	187,256,948.78	(1,295,712.23)	185,961,236.55
Unbilled receivables	18,510,174.77	1,295,712.23	19,805,887.00
Inventories - net	217,142,642.69	(1,432,267.08)	215,710,375.61
Advance payments for constructions	18,251,876.64	1,432,267.08	19,684,143.72

Unit : Baht

Account	Consolidated financial statements		
	As previously reported	As previously reported	As reclassified
<b>Statement of profit or loss and other comprehensive income</b>			
Revenue from rendering of services	67,511,582.92	(58,094,177.54)	9,417,405.38
Revenue from construction and service contracts	-	58,094,177.54	58,094,177.54
Cost of rendering of services	49,835,277.26	(42,922,781.41)	6,912,495.85
Cost of construction and service contracts	-	42,922,781.41	42,922,781.41

Unit : Baht

Account	Separated financial statements		
	As previously reported	As previously reported	As reclassified
<b>Statement of profit or loss and other comprehensive income</b>			
Revenue from rendering of services	62,890,973.92	(53,600,122.40)	9,290,851.52
Revenue from construction and service contracts	-	53,600,122.40	53,600,122.40
Cost of rendering of services	58,228,771.61	(50,626,199.05)	7,602,572.56
Cost of construction and service contracts	-	50,626,199.05	50,626,199.05

### 36. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorized for issue by the Company's Board of Directors on February 28, 2017.





**บริษัท ผลธัญญา จำกัด (มหาชน)**

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