

บริษัท ไพลอน จำกัด (มหาชน)

PYLON PUBLIC COMPANY LIMITED

# รายงานประจำปี 2554

Annual Report 2011

ข้อมูลสรุปทางการเงิน						
(Financial Summary)						
ข้อมูลทางการเงิน (พันบาท) Financial Data (Thousand Baht)	งบการเงินเฉพาะของบริษัท Separate Financial Statement			งบการเงินรวม Consolidated		
	2552	2553	2554	2552	2553	2554
	(2009)	(2010)	(2011)	(2009)	(2010)	(2011)
สินทรัพย์รวม Total Assets	420,266	559,115	698,477	496,619	600,072	729,323
หนี้สินรวม Total Liabilities	103,240	228,138	312,725	155,899	258,336	332,251
ส่วนของผู้ถือหุ้น Shareholders' Equity	317,206	330,977	385,752	321,613	328,967	384,028
รายได้จากการรับจ้าง Revenue from Rendering of Service	394,344	612,109	841,160	593,521	626,496	944,770
กำไรสุทธิ Net Profit	16,962	38,951	75,060	25,541	26,016	76,221
อัตราส่วนทางการเงิน Financial Ratio	งบการเงินเฉพาะของบริษัท Separate Financial Statement			งบการเงินรวม Consolidated		
	2552	2553	2554	2552	2553	2554
	(2009)	(2010)	(2011)	(2009)	(2010)	(2011)
อัตรากำไรสุทธิ (%) Net Profit Margin (%)	4.26%	6.31%	8.85%	4.30%	4.15%	8.04%
อัตราผลตอบแทนผู้ถือหุ้น (%) Return on Equity (%)	5.44%	12.02%	20.95%	7.72%	7.62%	20.63%
อัตราผลตอบแทนจากสินทรัพย์ (%) Return on Assets (%)	3.54%	7.95%	11.94%	4.88%	4.74%	11.47%
กำไรสุทธิต่อหุ้น (บาท) Earning per share (Baht)	0.09	0.19	0.38	0.12	0.16	0.38
อัตราส่วนหนี้สินต่อส่วนของผู้ถือหุ้น (เท่า) Debt to Equity (Time)	0.33	0.69	0.81	0.46	0.76	0.84
อัตราการเติบโตของรายได้จากการรับจ้าง (%) Revenue from Rendering of Service Growth (%)	-45.13%	55.22%	37.42%	-17.80%	5.56%	50.80%
อัตราการเติบโตของกำไรสุทธิ % Net Profit Growth (%)	-70.86%	129.64%	92.70%	-56.44%	1.86%	192.98%
หมายเหตุ 1 รายได้จากการรับจ้าง หมายถึง รายได้จากงานฐานราก และงานก่อสร้าง						
1 Revenue from rendering of service consist of revenue from foundation and construction works.						

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## Chairman Statement



To: Shareholders of

Pylon Public Company Limited

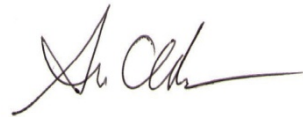
The construction industry outlook saw a healthy growth in 2011 as compared to 2010 as a result of the continuous implementation of economic stimulus policies by the public sector as demonstrated by a number of mass rapid transit projects gradually launched and an increase in the private sector's works. Thus, the Company has experienced considerable improvements in its operating results in 2011 as compared to 2010. Regarding the great flooding in Thailand at the end of 2011, the Company was slightly affected.

As Thailand has faced the unprecedented flooding crisis which affected people on a wide scale and the company was also one of those affected by this great flooding, the management of the Company has placed importance on its employees and people affected by the floods and donated money to the fund to provide assistance to flood-hit victims through the mai-listed Companies Association (maiA). Among several flood relief activities were the Company's Provision of equipment and tools to help prevent floods on a preliminary basis; donation of rice, dried food and drinking water as survival kits to all employees; provision of funds for house repairs to employees affected by the floods; facilitation of convenience to the relocation of boats of relevant government authorities from Laem Fapha to Rangsit Klong 12; and provision of assistance in terms of company trucks to facilitate transportation for villagers nearby the Company's yard (Ladlumkaew District, Pathumthani). The Company's management has also visited villagers in Bangbarn District, Ayutthaya to donate flood relief items to them.

With regard to the foundation industry trends in 2012, since the construction activity on several mass rapid transit projects such as the Blue Line project (Hua Lamphong-Bang Kae Section, Bang Sue-Tha Phra Section), the Green Line project (Bearing-Samutprakarn Section) and the Red Line project (Bang Sue - Rangsit Section) will simultaneously begin this year and the 2011 flooding crisis has led to the demand popularity of condominiums as compared to other types of residential properties in the market; the number of construction projects is likely to remain high as a continuation from the previous year and thus a reduction in price competition. The Company expects that it will benefit from construction of various BTS/MRT projects, mega-infrastructure projects as well as projects according to Thailand's economic recovery and flood prevention plans on which the construction activity will be undertaken on a continuous basis at least for another 3-5 years. As regards the Company's business plan for 2012, the Company will remain steadfast in the commitment to broaden its customer base as well as place priorities on customer selection, cost control, liquidity management and ongoing personnel development efforts.

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On behalf of the Board of Directors, I would like to take this opportunity to thank all shareholders for your trust in the Company's operations and specifically those who have provided us with continuous support. I also would like to thank the Company's management team and employees for carrying out their duties with accountability and tireless effort. All these factors are key elements in driving the Company to continue its ongoing development, ensuring its stability as well as ultimately enabling the Company to grow and achieve both its short and long-term goals.



[Mr. Seri Chintanaseri]

Chairman of the Board of Directors

## *Statement of the Chairman of the Audit Committee*



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

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

In 2011, a total of 5 Audit Committee's meetings were held with all members present at every meeting. The meetings were conducted to consider and proceed with the following matters:-

1. Review of financial reporting

The Audit Committee has reviewed the quarterly and annual financial statements for the year 2011 in collaboration with the auditor and the management. This is to give assurance that the Company's financial statements are in compliance with the generally accepted accounting principles according to the Accounting Act B.E. 2543 and the relevant notifications of the Securities and Exchange Commission and the Stock Exchange of Thailand, and that the disclosure of information is made in an adequate, complete, timely and reliable manner which is beneficial to and supports decisions made by shareholders and general investors as well as aligns with applicable laws and notifications. The Audit Committee has also supported and monitored the compliance with the International Financial Reporting Standards (IFRS) in accordance with the guidelines specified by the Federation of Accounting Profession and the Office of Securities and Exchange Commission. In addition, in 2011 the Audit Committee held one meeting with the auditor without the participation of the management to ensure that the auditor independently performed his/her duties.

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

The Audit Committee has reviewed the adequacy and appropriateness of the internal control system by considering the reports of the Internal Audit Department and the

external auditor. The auditor has mutually agreed that no significant operational faults were identified in 2011. In addition, the Audit Committee has considered the result of the evaluation of the internal control system of the Company and its subsidiary as well as the questions used in the evaluation form prepared according to the guidelines specified by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), the Securities and Exchange Commission and the Stock Exchange of Thailand. According to the evaluation result for 2011, the internal audit function is independent and the internal control system of the Company is adequate, appropriate and effective.

3. Supervision of internal audit operations

The Audit Committee has considered and selected Chayot Co., Ltd. to be an independent internal auditor for another year as well as approved the internal audit scope and plan for the year 2012 whereas the internal auditor shall report the result directly to the Audit Committee.

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

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

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

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

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

The Audit Committee has reviewed the operations of the auditor from Grant Thornton Limited and opined that the auditor performed professional duties in an independent, impartial and timely manner, thoroughly understood the Company's business and has duly been granted approval from the Securities and Exchange Commission. It is therefore deemed appropriate that Mr. Somkid Tiatragul, CPA License No. 2785 or Mr. Kosol Yamleemul, CPA License No. 4575 of Grant Thornton Limited should be nominated as the auditor of the Company for the year 2012 and that the matter should be proposed to the Company's Board of Directors for consideration and further submission to the Meeting of Shareholders for approval.

7. Review of risk management

The Audit Committee has reviewed risk management operations with the management and the internal auditor and opined that the management has in place appropriate and adequate risk management policies and has managed risks to remain within an acceptable level.

8. Review of good corporate governance

The Audit Committee has reviewed the Company's compliance with the good corporate governance principles with the management and supported the establishment of the channel of whistle-blowing or filing of complaints regarding illegal or unethical acts, inaccurate financial reporting or internal control system faults through the Audit Committee or the corporate secretariat for further submission to the Company's Board of Directors at [info@pylon.co.th](mailto:info@pylon.co.th). In this regard, the Company will provide protections for whistle-blowers by not disclosing their names. In 2011, the Company has not received any complaints from interested parties. Also, according to the result of the report on good corporate governance of listed companies for the year 2011 prepared by the Thai Institute of Directors Association (IOD) and supported by the Stock Exchange of Thailand and the Securities and Exchange Commission, the Company's overall average score is at a very good level.

9. Annual review and amendment of the Audit Committee Charter

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

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

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



(Mr. Panja Senadisai)

Chairman of the Audit Committee



## *Statement of the Chairman of the Nomination and Remuneration Committee*



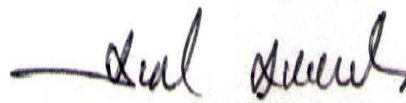
The Company's Nomination and Remuneration Committee consists of 2 independent directors and 1 non-executive director possessing full qualifications in compliance with the Notification of the Securities and Exchange Commission (SEC). Mr. Suwit Udomsab is Chairman and Mr. Vinit Chovichien and Mr. Vongchai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

The Nomination and Remuneration Committee has performed work in accordance with the scope of responsibilities as assigned by the Board of Directors and as prescribed in the Nomination and Remuneration Committee's Charter. In 2011, a total of two Nomination and Remuneration Committee's meetings were held with all members present at each meeting. The meetings were conducted to consider and proceed with the following matters:-

1. Considered the structure, composition, and qualifications of directors.
2. Considered, selected, and nominated a person equipped with the qualifications, knowledge, and capability suitable to the Company's business for the director position and for proposal to the Board of Directors for consideration and endorsement and then at the shareholders' meeting for consideration on appointment.
3. Considered the allocation of directors' remuneration for the 2010 operating results within the amount limit as approved by the shareholders and in compliance with the specified allocation criteria.
4. Evaluated the president's performance for the year 2010, calculated his remuneration in accordance with the specified criteria, and proposed the results to the Board for Directors for endorsement.
5. Considered the budget of directors' remuneration, consisting of monthly remuneration, bonus, and meeting fees for the year 2011 by taking into account the average remuneration of the same industry, the average remuneration of the Market for Alternative Investment (mai), workloads and the scope of responsibilities of the Board of Directors, for proposal to the Board of Directors and then at the shareholders' meeting for approval.
6. Considered the criteria for assessing the president's performance and setting his remuneration for the year 2011 and proposed that to the Board of Directors for endorsement.

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

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



(Mr. Suwit Udomsab)

Chairman of Nomination and Remuneration Committee

## *Statement of the Board of Directors' Responsibilities*

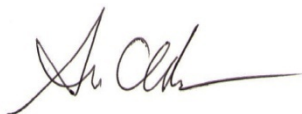
Under the Public Limited Companies Act B.E. 2535, the Accounting Act B.E. 2543, the Securities and Securities Exchange Act B.E. 2535, and the Notifications of the Securities and Securities Exchange Commission regarding the principles, conditions and methods for disclosure of financial statements and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

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

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

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

From the practice and supervision as mentioned above, the Board of Directors is of the opinion that the financial statements of Pylon Public Company Limited, as of December 31, 2011, present the Company's financial position and operating results in a correct and reliable manner in compliance with the Generally Accepted Accounting Principles and all relevant governing laws and regulations.



(Mr. Seri Chintanaseri)

Chairman



(Mr. Chanet Sangarayakul)

President

## Company's Directors and Executives

### Mr. Seri Chintanaseri

Chairman

Independent Director

Age 70 Years

#### Education :

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

#### IOD Training :

- Directors Certification Program (65/2005)



#### Work Experience :

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

Percentage of Shareholding: 0.53%

## Mr. Vongchai Sangarayakul

Founder Chairman

Director

Member of Nomination and Remuneration Committee

Age 65 years

Education :

- High School

IOD Training :

- Directors Accreditation Program (44/2005)

Work Experience :

2005 - Present	Director/ Member of Nomination and Remuneration Committee, Pylon PLC.
1967 - Present	Owner, Siam Pharmacy
2004 - 2005	Director, Pylon Co., Ltd.

Percentage of Shareholding : 7.4%



## Mr. Panja Senadisai

Chairman of Audit Committee

Independent Director

Age 64 Years

### Education :

- Master of Business Administration (MBA),  
Suffolk University (USA)

### IOD Training :

- Directors Certification Program (20/2002)
- Audit Committee Program (2004)
- Certificate of Attendance Role of Compensation  
Committee Program (2/2007)



### Work Experience :

2005 - Present	Chairman of the Audit Committee/ Independent Director, Pylon PLC.
2007 - Present	Independent Director/ Chairman of the Audit Committee/ Member of the Nomination & Remuneration Committee, Somboon Advance Technology PLC.
2004 - Present	Chairman, Deva Property PLC.
2003 - Present	Director/ Member of the Audit Committee, Rasa Properties Development PLC.
2002 - Present	Director/ Member of the Audit Committee/ Chairman of the Compensation Committee, Trinity Wattana PLC.
1983 - Present	Director, KCE Electronics PLC.
2006 - 2009	Director/ Member of the Executive Board of Director/ Member of the Remuneration Committee, Government Saving Bank

Percentage of Shareholding: -

## Mr. Suwit Udomsab

Chairman of Nomination & Remuneration Committee

Independent Director

Age 66 Years

### Education :

- Advanced Management Program, Harvard Business School, Harvard University (USA)
- Bachelor of Accounting, Chulalongkorn University



### IOD Training :

- Directors Accreditation Program (66/2007)
- Financial Institutions Governance Program (1/2010)

### Work Experience :

2006 - Present	Chairman of Nomination & Remuneration Committee/ Independent Director, Pylon PLC.
2009 - Present	Independent Director/ Member of the Audit Committee, Land and Houses Retail Bank PLC.
2009 - Present	Independent Director/ Member of the Audit Committee, L.H. Financial Group PLC.
2009 - Present	Advisory Board of Directors, Zheng Xin Bank Co., Ltd., Shanghai, China
2002 - 2009	Director, Trinity Wattana PLC.
2007 - 2008	Director, A.J. Plast PLC.

Percentage of Shareholding : -

## Mr. Chaipat Sahasakul

Independent Director

Member of the Audit Committee

Age 57 Years

### Education :

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

### IOD Training :

- Directors Certification Program (21/2002)
- Audit Committee Program (33/2010)



### Work Experience :

2005 - Present	Independent Director/ Member of the Audit Committee, Pylon PLC.
2010 - Present	Director, the Stock Exchange of Thailand
2010 - Present	Independent Director/ Member of the Audit Committee, Thai Vegetable Oil PLC.
2002 - Present	Chairman of Audit Committee/ Director, The Electricity Generating PLC.
2009 - Present	Chairman, University Research Policy Committee, Bangkok University
2001 - 2009	Secretary - General, Agricultural Futures Trading Commission

Percentage of Shareholding : -



## Mr. Vinit Chovichien

Independent Director

Member of the Audit Committee

Member of Nomination & Remuneration Committee

Age 66 Years

### Education:

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

### IOD Training:

- Directors Accreditation Program (44/2005)



### Work Experience :

2005 – Present	Independent Director/ Member of Audit Committee/ Member of Nomination & Remuneration Committee, Pylon PLC.
2007 – Present	Lecture, Faculty of Engineering, Chulalongkorn University
1972 – 2007	Professor, Faculty of Engineering, Chulalongkorn University

Percentage of Shareholding : -

## Mr. Chanet Sangarayakul

Director

Chairman of Executive Board

President

Age 38 Years

### Education :

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

### IOD Training :

- Directors Accreditation Program (44/2005)



### Work Experience :

2005 - Present	Director/ Chairman of Executive Board/ President, Pylon PLC.
2008 - Present	Chairman, Excelon Co., Ltd.
2011 - Present	Board of Directors Thai Listed Companies Association
2011 - Present	Association of Directors of the Company on the Stock Exchange of Thailand
2002 - 2004	Chairman/ Managing Director, Pylon Co., Ltd.

Percentage of Shareholding : 39.14%

## Mr. Bordin Sangarayakul

Director

Member of Executive Board

Senior Executive Vice President

Age 37 Years

### Education :

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

### IOD Training :

- Directors Accreditation Program (44/2005)



### Work Experience :

2005 - Present	Director/ Member of Executive Board/ Senior Executive Vice President-Finance & Administration, Pylon PLC.
2008 - Present	Director, Excelon Co., Ltd.
2010 - Present	Director, Aun Jung Co., Ltd.
2004 - 2005	Director/ DMD - Finance & Administration, Pylon Co., Ltd.

Percentage of Shareholding: 9%

## Mr. Somsak Viriyapipat

Director

Member of Executive Board

Senior Executive Vice President

Acting Vice President

Age 53 Years

### Education :

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

### IOD Training :

- Directors Accreditation Program (44/2005)



### Work Experience :

2005 - Present	Director/ Member of Executive Board/ Senior Executive Vice President - Equipment & Facilities/ Acting Vice President, Pylon PLC.
2004 - 2005	Director/ DMD - Equipment & Facilities, Pylon Co., Ltd.

Percentage of Shareholding: 1.54%

## Mr. Pisun Sirisulsakulchai

Director

Member of Executive Board

Senior Executive Vice President

Age 38 Years

### Education :

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



### IOD Training:

- Directors Accreditation Program (79/2009)

### Work Experience :

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

Percentage of Shareholding : 0.40%

## Mr.Siroj Tungkahotara

Executive Vice President – Engineering

Age 37 Years

### Education :

- Ph. D. Structural Engineering, Old Dominion University (USA)
- Master of Structural Engineering , Old Dominion University (USA)
- Bachelor of Civil Engineering, Chulalongkorn University

### Work Experience :

2011 – Present	Executive Vice President – Engineering & Marketing, Pylon PLC.
2008 – 2011	Structure Engineer, Tetra Tech INCA (USA)

Percentage of Shareholding: -

## Mrs. Sureerat Nakaphadungrat

Vice President - Accounting

Age 50 Years

### Education:

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

### Work Experience :

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

Percentage of Shareholding: 0.66%

## Mr. Veeratas Chiradechvirot

Vice President - Purchasing

Age 32 Years

### Education:

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

### Work Experience:

2007 - Present	Vice President - Purchasing, Pylon PLC.
2006 - 2007	Operating System Manager, Pylon PLC.
2002 - 2006	Quality Advisor, CVD International Co., Ltd.

Percentage of Shareholding: -

## Mr. Korn Thongsri

Vice President - Human Resource

Age 38 years

### Education:

- Bachelor of Law, Ramkhamhaeng University

### Work Experience:

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

Percentage of Shareholding: -

## General Information



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

At present, Pylon's registered and paid up capital is Baht 200 million separated into 200 million ordinary shares at Baht 1 par value per share.

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

The Company Name	: Excelon Company Limited
Capital	: Baht 30 million
The Company holds	: 51%
Type of Business	: Design, construction, consulting and architectural works for buildings/ structures
Address	: 170/15 Soi Sammit (Sukhumvit Soi16) Ratchadapisektadmai Road, Klongtoey Subdistrict, Klongtoey District, Bangkok 10110

### History and Significant Developments

#### Year 2002

- Registered the Company in the name of Pylon Company Limited on August 13, 2002 with the initial paid up capital of Baht 5 million to engage primarily in foundation construction business. The Company has employed experienced and skillful engineering staffs to handle foundation works at the recovery of economic crisis.

#### Year 2003

- Performed the first soil cement columns with high-pressured jet grouting in His Majesty The King Bhumipol's Pak Pa Nang Diversion Dam Project in Nakornsrithammarat Province as a subcontractor to Sino-Thai Engineering and Construction Plc (Sino-Thai). From the success in





the Pakpanang project, the Company has developed a strong business relationship with Sino-Thai and, as a result, received bored piling works for several projects from Sino-Thai such as The 3<sup>rd</sup> Stage Expressway - Part S1 (Ajarnong-Bangna) Contract No. 2, The Bumrungrat Hospital Parking Garage, etc. From those projects, the Company has become well-known in the construction industry for quality of work and exceptional service, and received many bored piling works from other customers.

#### Year 2004

- Increased capital to Baht 60 million in January and Baht 95 million in December.
- Cooperated with Soletanche Bachy, an International Foundation Specialist Company, to construct diaphragm walls for The Samlae Water Treatment Plant in Patumthani Province.

#### Year 2005

- Purchased land in Patumthani Province to build the Company's new maintenance yard in January
- Increased capital to Baht 115 million in May.
- In June, the Company increased its capital from Baht 115 million to Baht 150 million along with splitting par value per share from Baht 10 to Baht 1 to accommodate the initial public offering.
- Registered as the public company on July 20, 2005.
- Registered on the Market for Alternative Investment (mai) Stock Market in December. The first trading day of the Company's shares was December 23, 2005.

#### Year 2006

- Relocated the Company's maintenance yard from Bangkapi to Ladlumkaew, Patumthani Province in March.

#### Year 2008

- Set up the subsidiary company under the name of Excelon Co., Ltd. in December to provide services for design, construction, consulting and architectural works for buildings/ structures. Its registered capital is 30,000,000 baht. Pylon holds 51% of the total shares.

#### Year 2009

- Increased capital to Baht 200 million in May.



## Revenue by Products

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

### The Company's Revenue

(Unit : Thousand Baht)

(Unit : Thousand Baht)Products	2009		2010		2011	
	Revenue	Percent	Revenue	Percent	Revenue	Percent
Bored Piles	383,728	96.35	536,965	87.04	717,479	84.64
Ground Improvement	5,936	1.49	-	-	-	-
Diaphragm Wall	3,530	0.89	-	-	-	-
Total Revenue from Foundation	393,194	98.73	536,965	87.04	717,479	84.64
Revenue from Construction	1,150	0.29	75,144	12.18	123,681	14.59
Revenue from Other Services <sup>1</sup>	568	0.14	576	0.09	1,873	0.22
Other Revenues <sup>2</sup>	3,338	0.84	4,210	0.68	4,680	0.55
Total Revenue	398,250	100.00	616,895	100.00	847,713	100.00

Remark : <sup>1</sup> Revenue from Other Services is the revenues from rental of machines, equipments and tools such as cranes, casing including damage claims received from Subcontractors.

<sup>2</sup> Other Revenues is the revenues from interest income, profit from sale of assets, etc.

### The Subsidiary's Revenue

(Unit : Thousand Baht)

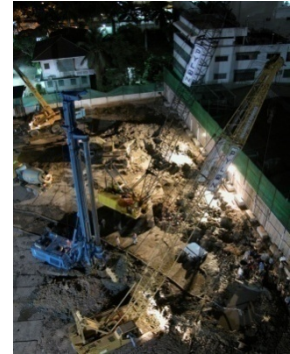
Products	2009		2010		2011	
	Revenue	Percent	Revenue	Percent	Revenue	Percent
Revenue from Construction	199,573	100.00	21,955	100.00	159,604	100.00

Remark : Excelon Co., Ltd. was established in December 2008.

## Type of Business

### 1. Bored Pile

Bored Piles are usually used as the foundation of large-scale structures especially those located in a limited area where driven piles are not applicable due to transportation and ground vibration problems. Moreover, compared to driven piles, bored piling technique causes no lateral movement of soil underneath that may affect nearby structures, less noise pollution and less ground vibration. The Company offers various sizes of pile ranging from 50 centimeters to 200 centimeters in diameter and deeper than 60 meters depending on the design load and local soil properties.



### 2. Ground Improvement by Jet Grouting

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



#### 2.1 Soil Cement Column

This type of ground improvement is used to strengthen the soft soil properties throughout their whole layers. The process starts from jetting water downward at high pressure to stir the surrounding soil into the designated shape and size. Once reaching the level of pile tip, cement slurry is injected to mix with surrounding soil to create the solidified soil cement column that has ability to carry a vertical design load and reduce the settlement of structure above. The soil cement column produced by Jet Grouting has better properties and more homogeneous texture than those produced by other techniques such as low pressure mixing and rotary dry mixing. At present, soil cement column has been applied to various types of works such as road foundations, airport runways, dams, water gates as well as slope protection of canals or river banks.

#### 2.2 Localized soil improvement

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



### 3. Diaphragm Wall

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

### 4. General Construction

The Company provides service related to design, construction and architectural works for buildings and structures. Our target is to focus on civil works and low-rise buildings such as flood protection, water drainage, conference hall including office and residential buildings in which their height is less than 8 stories. Our Team consists of experienced and professional architects and engineers with various kinds of tool and equipment to carry out the works.



## Industry Overview and Competition



The foundation business, which comprises piling works, diaphragm walls, ground improvement, etc., depends particularly on the construction industry. After the global economic crisis as well as domestic political unrest and violence during 2010, the number of construction projects has continued to rise in 2011. As for the public sector, investments in various projects have been undertaken in a more continuous manner, especially the expansion of the BTS/MRT systems and the construction of the power plants. As for the private sector, there has been a continuous increase in condominium supply in urban areas and along BTS/MRT routes. Despite the great flooding in Thailand at the end of 2011, there has been little impact on the construction industry. The bored piling industry outlook of 2011 has been on an upward trend, the number of projects in the industry has risen to high level and price competition has decreased.

In 2012, after the end of the flooding crisis which occurred in the fourth quarter of 2011, recovery of the economy to stable levels or a slight economic growth is likely to occur in the first quarter of 2012. Clear signs of economic growth may appear from the second quarter onwards due to the public sector's policy on spending and investment to restore and stimulate the economy as well as the private sector's investment for business rehabilitation. The economic growth rate in 2012, according to the Office of the National Economic and Social Development Board (NESDB), is expected to range between 3.5% - 4.0%.

As for the bored piling industry which is considered the main source of income of the Company, due to the fact that a number of projects of BTS/MRT lines have gradually commenced, that the private sector's construction projects have been launched on a continuous basis, and that the government has the policy on investment for economic recovery and flood protection systems; the number of construction projects in the market is likely to be on a continued rise for another 3-5 years. As regards the industry outlook, in 2012 the number of construction projects is expected to continue to remain at high level with the price competition being not relatively high. Risk factors from fragile global recovery and investors' confidence in Thailand's flood handling measures as well as domestic political situations due to conflicts between groups of people, however, might cause the economic growth to be slower than expected.

## *Risk Factors*



### Price Volatility and Supply Availability of Raw Materials

Main raw materials required for the Company's operations include concrete, rebar, cement, diesel and bentonite/polymer. As regards the trends of main raw materials in 2011, concrete prices have been on a continued rise since the beginning of the year due to an increasing demand for concrete in the construction industry. In the past year, diesel prices have been fairly stable despite some slight price swings in response to situations during a particular period. However, it is expected that during 2012 diesel prices will experience higher volatility as a result of the dispute between the West and Iran as well as cancellation of domestic price-fixing policy. For rebar prices, there has been little movement in 2011. On top of that, the global economic slowdown has led to stable demand for rebar. It is, therefore, expected that in 2012 rebar prices will continue to display low volatility.

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

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

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

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

In 2011, the foundation industry has been expanding continuously despite the impact of the flooding crisis at the end of 2011 which resulted in delays in construction schedules. The industry outlook for 2011 showed that the number of projects in the market was close to with the production capacity in

the industry, hence benign price competition. This was due to the economic stimulus policies issued by the public sector which were implemented in a more continuous manner as demonstrated by launching of various BTS/MRT projects as planned as well as steady launches of projects by the private sector. The Company expects that it will benefit from mega-infrastructure projects as well as construction projects according to Thailand's economic recovery and flood prevention plans which will be constructed for another 3-5 years and will help reduce this risk. The Company has also made continuous efforts to further improve its ability to acquire new projects, resulting in its customer base growing every year.

#### Losing Skilled and Experienced Personnel in Foundation Works

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

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

#### Delay of Project Completion

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

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





### Lawsuits or Claims due to Damages from Construction

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

Once the project is completed, the Company shall provide the quality assurance by issuing a maintenance bond or a company guarantee letter for a period of 1-2 years. In the past, there were no damages of the structure in the projects that the Company constructed, and the Company has never been subjected to any violent claims because the Company has a high standard of quality control system to minimize a chance of having damages from construction process. In addition, the Company has a policy to have a contractor's all risk insurance during construction to reduce the risk and impact if there is any damage from operation.

### Risk from Uncollectible Accounts Receivable (Credit Risk)

In light of the economic conditions including fluctuations of various external factors such as exchange rates, prices of raw materials in the category of oil and metal ores, inflation rates, economic crisis in Europe and America, etc. as well as domestic political problems which may adversely affect the government's stability and thus the real estate and construction business sector; this will give rise to liquidity problems of certain customers of the Company and possible impacts on their debt servicing ability.

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



### Risks from the Flooding Crisis

The flooding crisis occurred during the end of 2011 has caused a significant impact on Thailand's economic system. The Company was also affected by this flood crisis. As regards the construction projects which were located in the flood-hit areas, the Company was unable to undertake construction according to plan due to material transportation problems, obstacles impeding machinery repairs and maintenance activities, and problems from the increase in the water level which was beyond its workable level (especially in the areas where the drainage system's construction projects were located). The estimated value of temporarily disrupted projects accounted for 15% of the total value of the Company's projects being executed at the time being. Furthermore, the Company's yard providing repairs and maintenance services is located in Ladlumkaew District, Pathumthani which was a flood-hit area. As a result, the Company was unable to undertake repairs and maintenance of machineries and deliver materials and equipment according to the normal schedule. Nonetheless, the Company's properties were slightly damaged.

To reduce impact from the 2011 flooding crisis, the Company implemented the following measures: To support the construction sites which were affected, the Company moved repairs and maintenance service centers including a number of technicians as well as stores keeping materials and equipment required for construction work to the site which was not affected by the flooding in order to enable normal repair and maintenance operations. The Company also coordinated closely with raw material suppliers in planning the delivery to minimize impacts on the construction projects as much as possible. As regards the Company's yards providing repairs and maintenance services, the Company built flood prevention structures around the buildings and moved high-flood-risk properties to higher levels as well as adopted engineering techniques to restore certain areas of the yard to become dry and resume operations. Although the Company could not prevent 100% of the damage from the flooding crisis, the Company's measures helped reduce effects caused by the flooding to a certain extent.

In addition, to help curb future flood impacts, the Company has determined additional measures. Among these included the Company's plan to give preference to construction projects which are not located in flood-affected areas such as southern areas of Bangkok, the Eastern part of Thailand as well as the Company's preparedness to closely monitor the flooding situation to ensure timely planning of flood management measures and to minimize potential impacts on the Company.



## Capital Structure

### Shareholders

The shareholders' list as at the closing date of the register book on December 14, 2011 is as follow:

	Name of shareholders	No. of shares	Percentage
1.	Sangarayakul Family*	125,559,602	62.78
2.	Thai NVDR Co., Ltd.	7,533,866	3.77
3.	Mr. Sanpichet Uahvilajit	7,010,266	3.51
4.	Mrs. Pornthip Prasongsuthon	6,594,333	3.30
5.	Ms. Nadthika Phupiphat	3,325,786	1.66
6.	Mr. Somsak Viriyapipat	3,085,533	1.54
7.	Mr. Boonchuay Thangwatthanasirikul	2,954,200	1.48
8.	Ms. Woralak Samatchai	2,876,800	1.44
9.	Mr. Suksun Thongthai	2,024,000	1.01
10.	Ms. Santa Charoenlap	1,972,800	0.99
Other shareholders		37,036,148	18.52
Total		200,000,000	100.00

Remark:

\* Sangarayakul family consists of Mr. Chanet, Mr. Bordin, Mr. Vongchai and Mr. Anon Sangarayakul which held the shares in proportion of 39.15, 9.00, 7.40 and 7.23 respectively.

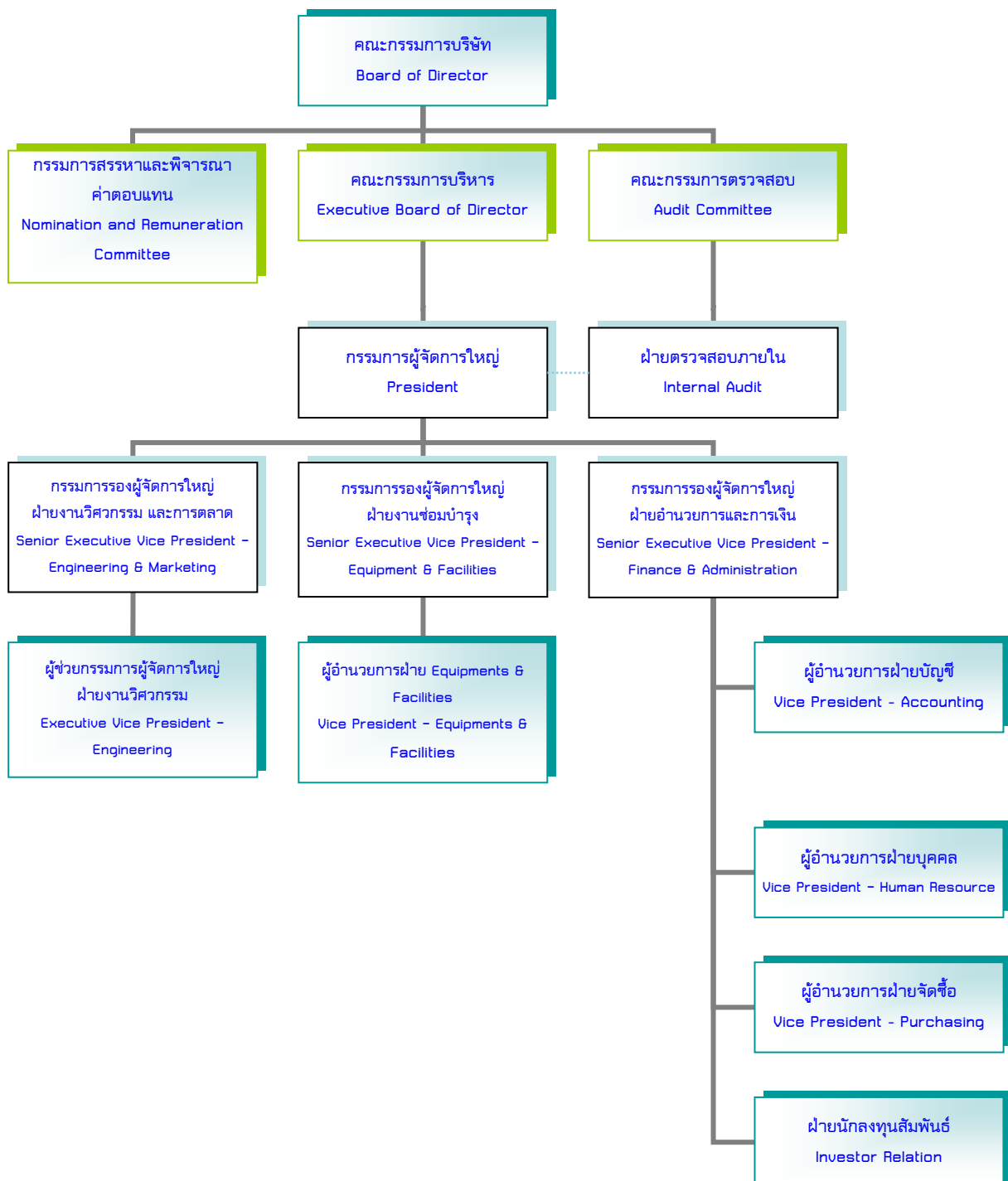
### DIVIDEND POLICY

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

## Management

### Management Structure

The Company's management structure is shown in the following organization chart



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

### The Board of Directors

The Company's Board of Directors comprises ten members in which:

- 6 directors are non-executive directors while 5 of them are independent directors
- 4 directors are executive directors

Their names are as follows:

Name - Surname	Position
1. Mr. Seri Chintanaseri	Chairman / Independent Director
2. Mr. Vongchai Sangarayakul	Founder Chairman/Director
3. Mr. Panja Senadisai	Independent Director
4. Mr. Suwit Udomsab	Independent Director
5. Mr. Chaipat Sahasakul	Independent Director
6. Mr. Vinit Chovichien	Independent Director
7. Mr. Chanet Sangarayakul	Director
8. Mr. Bordin Sangarayakul	Director
9. Mr. Somsak Viriyapipat	Director
10. Mr. Pisun Sirisuksakulchai	Director

*Company Secretary is Ms. Thitima Tiawprateep*

*Remark : Mr.Christoph Alexander Claus resigned from the Board of Directors on 22<sup>nd</sup> December 2011.*

### Independent Director

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

1. Holding shares not exceeding 1 percent of the total shares with voting rights of its parent company, its subsidiary, its associated company or potential conflicting juristic person (provided that any shares held by his or her related person as stipulated in section 258 of securities laws [No.4] 2008 must be taken into account).

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

### Authority to sign on behalf of the Company

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

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

The Board of Directors has authorities and responsibilities to manage the Company in compliance with laws, objectives and regulations of the Company, and the legalized resolution passed at the shareholders' meeting. The Board of Directors shall manage the Company with honesty and carefully look after the Company's benefits. The important authorities and responsibilities of the Board of Directors are as follows:

1. To arrange the annual general shareholders' meeting within four months after the date ending the Company's fiscal year.
2. To arrange the Board of Directors' meeting at least once every three months.
3. To prepare the Company's balance sheet and income statement that would be audited by the external auditor and submitted to the shareholders' meeting for consideration and approval.
4. The Board of Directors may delegate authorities to one or many Directors or other persons to perform any duties on its behalf under its supervision. The Board of Directors may assign them with specific authorities and durations as deemed appropriate and reserve the right to change or revoke those authorities given.

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

5. To set goal, direction, policy, plan, and budget of the Company as well as monitor and supervise the administration and management of the Executive Board so that it complies with the prescribed policy except for the matters required by law to be approved by the resolution of the shareholders' meeting. These matters are such as acquisition and deposition of the capital, issuance of the Company's debenture, sale or transfer of ownership of the Company or a significant part thereof to another individual, purchase or transfer of business from other companies, and amendment of memorandum of association or regulations, etc. The Board of Directors' duty is also to supervise the Company so that its business operation complies with

the Securities and Securities Exchange Act and the Stock Exchange of Thailand's regulations such as the matter of related party transactions and the sale and purchase of core assets in accordance with the regulations of the Stock Exchange of Thailand or other laws relevant to the Company's business.

6. To consider the structure of management as well as the appointments of the Executive Board, Managing Director, and other committees as deemed appropriate.
7. To monitor the Company's operating performance so that it has continually complied with the prescribed plan and budget.
8. The Director is prohibited from doing business, being partner of the ordinary partnership, being partner with unlimited liabilities of the limited partnership, or being Director of the private company or other companies which conduct business of the same nature and directly compete with the Company. These matters are prohibited whether doing for his/her or other person interests unless the Director notifies the shareholders' meeting prior to the resolution for his/her appointment.
9. The Director must promptly inform the Company about their direct or indirect personal interest in contracts executed by the Company including debentures and shareholding status, whether increase or decrease, in the Company or its affiliates.

#### Audit Committee

Name - Surname	Position
1. Mr. Panja Senadisai *	Chairman of Audit Committee / Independent Director
2. Mr. Chaipat Sahasakul *	Member of Audit Committee / Independent Director
3. Mr. Vinit Chovichien	Member of Audit Committee / Independent Director

*Remark \*The Director who has knowledge and experience in reviewing the financial report*

*Secretary to the Audit Committee is Ms. Thitima Tiawprateep*

#### Scope of Authorities of the Audit Committee

1. To review the Company's financial reporting process to ensure that it is accurate and adequate;
2. To review the Company's internal control system and internal audit system to ensure that they are suitable and efficient as well as to determine an internal audit unit's independence;
3. To review the Company's compliance with the law on securities and exchange, the Exchange's regulations, and the laws relating to the Company's business;

4. To consider, select and nominate an independent person to be the Company's auditor, and to propose such person's remuneration;
5. To approve the appointment, transfer and dismissal of the chief of an internal audit unit or any other unit in charge of an internal audit;
6. To review the connected transactions, or the transactions that may lead to conflicts of interest, to ensure that they are in compliance with the laws and the Exchange's regulations and are reasonable and for the highest benefits of the Company;
7. To review the Charter of the Audit Committee at least once a year and propose to the Board of Directors for consideration;
8. To carry out any other tasks as assigned by the Board of Directors and approved by the Audit Committee;
9. To prepare, and to disclosed in the Company's annual report, an audit committee's report which must be signed by the Audit Committee's chairman and consist of at least the following information required by the Stock Exchange of Thailand:
  - (a) an opinion on the accuracy, completeness and creditability of the Company's financial report,
  - (b) an opinion on the adequacy of the Company's internal control system,
  - (c) an opinion on the compliance with the law on securities and exchange, the Exchange's regulations, or the laws relating to the Company's business,
  - (d) an opinion on the suitability of an auditor,
  - (e) an opinion on the transactions that may lead to conflicts of interest,
  - (f) the number of the Audit Committee meetings and the attendance of such meetings by each committee member,
  - (g) an opinion or overview comment received by the audit committee from its performance of duties in accordance with charter, and
  - (h) other transactions which, according to the audit committee's opinion, should be known to the shareholders and general investors, subject to the scope of duties and responsibilities assigned by the Company's Board of Directors;
10. To report the results of the Audit Committee's work to the Board of Directors regularly at least once every quarter.



## The Nomination and Remuneration Committee

Name - Surname	Position
1. Mr. Suwit Udomsab	Chairman of Nomination and Remuneration Committee / Independent Director
2. Mr. Vongchai Sangarayakul	Member of Nomination and Remuneration Committee
3. Mr. Vinit Chovichien	Member of Nomination and Remuneration Committee / Independent Director

*Remark Secretary to the Nomination and Remuneration Committee is Ms. Waraporn Nilpetch.*

## Scope of Authorities of the Nomination and Remuneration Committee

1. To determine the structure, composition and qualifications of the directors and the president.
2. To select and submit the names of the knowledgeable and experienced candidates who are suitable for the Company's business to be appointed as the directors and the president in case of vacancy for consideration and approval of the Board of Directors or at the shareholders' meeting as the case may be.
3. To select the Company's representative for positions in subsidiary and/or associated companies.
4. To determine the remuneration structure of the directors and the president such as monthly remuneration, gratuity, bonus, welfare, meeting fee and other cash and non-cash fringe benefits.
5. To set up the criteria for the president's assessment and present to the Board of Directors' for consideration and approval.
6. To consider the terms and conditions in case of new securities (or warrants) offered to directors and employees (ESOP) as well as to consider and endorse in case that securities are allotted to any director or any employee more than 5 % of the total securities to be allotted. The Nomination and Remuneration Committee will be eligible to have such endorsement upon the condition that none of the Nomination and Remuneration Committee's members is granted the security allotment of more than 5%.
7. The Nomination and Remuneration Committee is a sub-committee appointed by the Board of Directors for a purpose of studying and reviewing the assignments. Hence, the Nomination and Remuneration Committee is routinely requested to report its activities to the Board of Directors' meeting subsequent to its meeting and report its performance in the past year to shareholders in the Company's annual report and the annual general meeting of shareholders.

8. To perform any other tasks, as assigned by the Board of Directors, in relation to nomination and remuneration.

### The Executive Board of Directors

Name - Surname	Position
1. Mr. Chanet Sangarayakul	Chairman of Executive Board
2. Mr. Bordin Sangarayakul	Member of Executive Board
3. Mr. Somsak Viriyapipat	Member of Executive Board
4. Mr. Pisun Sirisuksakulchai	Member of Executive Board

*Remark : Mr.Christoph Alexander Claus resigned from the Board of Directors' on 22<sup>nd</sup> December 2011.*

### Scope of Authorities of the Executive Board of Directors

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

1. To set policy, direction, strategy, and core management structure regarding the Company's business conduct and submit to the Board of Directors for approval.
2. To set business plan, budget, and management authorities and submit to the Board of Directors for approval.
3. To consider the Company's investment project and submit to the Board of Directors for approval.
4. To approve important investment expenditures prescribed in the annual budget as assigned by the Board of Directors or investment expenditures that are already approved in principle by the Board of Directors.
5. To approve procurement or hiring contracts for the office management task in the amount not exceeding Baht 20 million per transaction.
6. To negotiate and sign contracts, agreements, and documents for the construction projects worth not exceeding Baht 200 million for private sector and Baht 500 million for public sector

including the procurement or hiring of those projects that are normal business practices of the Company.

7. To act as the management's advisory committee in the matter of financial policy, marketing, operation and other administrative duties.
8. To approve the opening or closing of the bank deposit account, to specify the authorized person who shall withdraw money from the Company's account, as well as to handle the matters concerning the bank deposit account.
9. To conduct any necessary operations to support and protect the Company's benefits.

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

### The Management Executive

Members of the management executive are as follows:

Name - Surname	Position
1. Mr. Chanet Sangarayakul	President
2. Mr. Bordin Sangarayakul	Senior Executive Vice President - Finance & Administration
3. Mr. Pisun Sirisuksakulchai	Senior Executive Vice President - Engineering & Marketing
4. Mr. Somsak Viriyapipat	Senior Executive Vice President - Equipments & Facilities
5. Mr. Siroj Tungkahotara	Executive Vice President - Engineering
6. Mrs. Sureerat Nakaphadungrat	Vice President - Accounting
7. Mr. Veeratas Jiradachviroj	Vice President - Purchasing
8. Mr. Korn Thongsri	Vice President - Human Resource

*Remark : Mr.Christoph Alexander Claus resigned from the Board of Directors on 22<sup>nd</sup> December 2011.*

## Scope of Authorities of the President

1. To take responsibilities on daily routine management as well as control and supervise staffs and employees of the Company.
2. To conduct or operate the Company's business in compliance with the policy, plan, and budget approved by the Board of Directors and/or the Executive Board.
3. To manage, on behalf of the Company, the Company's business to fully comply with the prescribed objectives, regulations, policies, rules, orders as well as the resolutions of the shareholders' meeting and/or the resolutions of the Board of Directors' meeting and/or the resolutions of the Executive Board's meeting.
4. To approve procurement or hiring contracts for the office management tasks in the amount not exceeding Baht 5 million per transaction.
5. To negotiate and sign contracts, agreements, and documents for the construction projects worth not exceeding Baht 50 million including the procurement or hiring of those projects that are normal business practices of the Company.
6. To hire and determine the remunerations of all the Company's employees as well as appoint the employer's representative in the provident fund committee.

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

## The Selection of Directors and Executives

### ● Composition and Criteria for Selection of the Company's Directors

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

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

At every annual general meeting, one-third of the Directors, or if the number is not a multiple of three, then the number nearest to one-third shall retire from the office. The Directors retiring on the first and second year after the registration of the company shall be drawn by lots. In every subsequent

year, the directors who have been longest in office shall retire. Directors whose terms expire may be re-elected.

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

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

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

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

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

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

The Company shall appoint the Audit Committee which consists of at least three independent directors. At least one director must have knowledge or experience in accounting or finance, and have consistent knowledge of events affecting the changes in the Company's financial report in order to increase the efficiency of the Audit Committee. The Audit Committee shall hold office on a three-year term.

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

- **Composition and Criteria for Selection of the Nomination and Remuneration Committee**

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

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

- **Composition and Criteria for Selection of the Company's Executives**

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

#### Remunerations of Directors and Executives

Position	Year 2010			Year 2011		
	No. (Person)	Amount (Million Baht)	Description	No. (Person)	Amount (Million Baht)	Description
Director	11	4.316	Meeting Fee, Bonus, Monthly Remuneration	11	4.326	Meeting Fee, Bonus, Monthly Remuneration
Executive	7	10.52	Salary, Bonus, Social Security Fund and Provident Fund	7	9.88	Salary, Bonus, Social Security Fund and Provident Fund

## Remunerations of the Directors

## Number of Meeting Attendance

Name - Surname	Year 2010			Year 2011		
	Board of Directors	Audit Committee	Nomination and Remuneration Committee	Board of Directors	Audit Committee	Nomination and Remuneration Committee
1. Mr. Seri Chintanaseri	6/6	-	-	5/6	-	-
2. Mr. Vongchai Sangarayakul	6/6	-	1/1	5/6	-	2/2
3. Mr. Panja Senadisa	6/6	5/5	-	6/6	5/5	-
4. Mr. Suwit Udomsab	6/6	-	1/1	5/6	-	2/2
5. Mr. Chaipat Sahasakul	6/6	5/5	-	6/6	5/5	-
6. Mr. Vinit Chovichien	6/6	5/5	1/1	6/6	5/5	2/2
7. Mr. Chanet Sangarayakul	6/6	-	-	6/6	-	-
8. Mr. Bordin Sangarayakul	6/6	-	-	6/6	-	-
9. Mr. Christoph A. Claus <sup>1</sup>	5/6	-	-	6/6	-	-
10. Mr. Somsak Viriyapipat	6/6	-	-	6/6	-	-
11. Mr. Pisun Sirisuksakulchai	5/6	-	-	6/6	-	-

Remark

1. Mr.Christoph Alexander Claus resigned from the Board of Directors on 22<sup>nd</sup> December 2011.

## Directors' Remunerations

Name - Surname	Year 2009	Year 2010
	Remuneration (Baht)	Remuneration (Baht)
1. Mr. Seri Chintanaseri	972,857	919,118
2. Mr.Vongchai Sangarayakul <sup>2</sup>	457,429	433,059
3. Mr. Panja Senadisai <sup>1</sup>	526,429	531,471
4. Mr. Suwit Udomsab <sup>2</sup>	458,429	434,059
5. Mr. Chaipat Sahasakul <sup>1</sup>	478,429	483,471
6. Mr. Vinit Chovichien <sup>1,2</sup>	482,429	492,471
7. Mr. Chanet Sangarayakul	201,429	206,471
8. Mr. Bordin Sangarayakul	201,429	206,471
9. Mr. Christoph A. Claus <sup>3</sup>	167,857	206,471
10. Mr. Somsak Viriyapipat	201,429	206,471
11. Mr. Pisun Sirisuksakulchai	167,857	206,471

*Note*

1. Including remuneration as the Audit Committee
2. Including remuneration as the Nomination and Remuneration Committee.
3. Mr.Christoph Alexander Claus resigned from the Board of Directors on 22<sup>nd</sup> December 2011.



## Corporate Governance

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

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

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

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

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

At the Annual General Meeting of Shareholders, all members of the Board of Directors shall attend the meeting unless having inevitable matter. In 2011, all board members attended the meeting and the

meeting Chair, who is also Chairman of the Board of Directors, informed all the attendees about regulations governing the meeting, enabled the shareholders to use their right to elect each individual director, as well as allowed the shareholders to express their opinions and pose any inquiries relating to the meeting or the Company. Furthermore, the Company has encouraged the shareholders to send their questions to the Company in advance via the Company's email.

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

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

### Chapter 3 - Role of Stakeholders

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

- *Treatment of Employees:* The Company realizes the importance of every employee and ensures that they all receive equitable treatment in respect of opportunity, compensation and for development of their ability.
- *Treatment of Customers:* The Company stresses the importance of customer satisfaction and confidence by consistently providing customers with high quality products and services at reasonable prices while maximizing customers' benefits with integrity and honesty.
- *Treatment of Suppliers:* The Company treats its suppliers equally and fairly by not charging, receiving or paying any benefits to or from suppliers unfairly, by strictly complying with the mutually agreed terms and conditions, and by developing and maintaining a sustainable relationship with suppliers and contract counterparties through mutual trust.
- *Treatment of Competitors:* The Company competes fairly with all business competitors under the justified framework of complying with a good business competition practice with morality and not damaging the reputation of its competitors by making false accusations.

In addition, the Company emphasizes the importance of the social and public responsibility through its compliance with laws and related regulations, management of environment issues, and adoption of

safety measures for business operations. With regards to environment, the Company has determined measures to reduce environmental impact at the job sites and the maintenance yard. Furthermore, the Company has promoted the resources and energy saving campaign among employees through reduction in use of electricity, water, and especially fuel. Our survey shows that the fuel has been used in a more efficient manner.

The stakeholders may send their comments or suggestions to the Board of Directors through the Company's secretary via the Company's website or by mail. If anyone discovers any illegal or unethical acts, inaccurate financial reports or weak internal control systems, they can inform through the Company's secretary, and the Company will protect the informants by keeping their name as confidential. The Audit Committee will then examine the submitted information and report it to the Board of Directors.

#### Chapter 4 – Disclosure and Transparency

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

#### Chapter 5 – Responsibilities of the Board of Directors

The Board of Directors is made up of 10 members, consisting of 5 independent directors, 4 executive directors, and 1 non-executive director. The structure of the Board of Directors consists of directors with extensive knowledge and experience in various fields relating to the Company's business, e.g. law, accounting, financial, banking, economics, corporate governance and engineering. The Company's Board of Directors set up the qualifications of an independent director which are more strict than the requirements of the SEC and the SET. The Board of Directors directly appoints three sub-committees: the Audit Committee, the Executive Committee, and the Nomination and Remuneration Committee. All these sub-committees have a scope of authority, responsibility and qualifications as specified by the Board of Directors and report directly to the Board on a quarterly basis. The Executive Committee reports the Company's operating results to the Board of Directors on a monthly basis.

The Board of Directors approves the Company's vision, mission and income projection of the following year as well as an annual investment budget. The Board of Directors also revises standards of corporate governance, risk management policy and transactions that may cause conflicts of interest (if any), and expresses opinions on the adequacy of the internal control system.

Since 2007, the Board of Directors has commenced the performance evaluation in group. Policy and criteria on payment of directors' remuneration are determined by the Board of Directors and approved by the shareholders. Considerations for remuneration are based on comparison with the industry and the Company's operating results. The Board of Directors also sets remuneration for sub-committees except for the Executive Committee's members and the President who are paid as the Company's employees. The President's remuneration shall be determined based on performance evaluation by the Nomination and Remuneration Committee (since 2008).

### Supervision of Inside Information Usage

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

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

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If the Company found that any directors, executives or employees who knew the significant inside information violated the Company's Code of Ethics relating to usage of inside information and caused damage to the Company or its image, the Company would undertake the proper actions including but not limited to cooperate with relevant supervisory agencies to undertake necessary legal actions.

## *Connected Transactions*

In doing business, the Company has related-party transactions with its subsidiary. Information and details of the related-party transactions are disclosed in Note 6 of the Financial Statements for the Year Ended 31<sup>st</sup> December 2011.

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

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

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

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

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

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

## *Internal Control*

The Company has always realized the importance of the internal control system and hired Chayot Co., Ltd. as the Company's independent internal auditor since June 2005 (previously called "Smart Asset Advisory Co., Ltd.") the specialist that provides services for internal audit and accounting system set up. It is hired to advise and design the Company's accounting system, to assess the internal control system and to with as the following duties and responsibilities:

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

In 2011, there were no significant issues reported from the internal and external auditors, the Audit Committee acknowledged and provided suggestions on the independent internal auditor and external auditor's notes and recommendations as well as results of the corrections conducted by the Company. In addition, at the meeting of the Company's Board of Directors No. 5/2011 held on November 12, 2011 which were attended by all three members of the Audit Committee, the Board assessed the Company's internal control system by considering reports from the Company's independent internal auditor and report from the Company's executives as well as the responses of the Company's executives to the interrogations. Assessment of the Board on five issues of the Company's internal control system regarding the organization and environment, risk management, control of executive's operation, information system and data communication, and monitoring system can be concluded that the Company's internal control was adequate.

## Management's Explanation and Analysis



### Overview of the Operations in 2011

In 2011, the investors' confidence was recovered after the domestic political situation has become more stable. Although the flood crisis in the fourth quarter caused the economy slow down significantly but once it subsided in late November, the bored piling works have returned to its normal level. Regarding the high oil price situation, it still stimulated the demand for condominium projects in high potential locations such as areas nearby MRT stations. For the government sector, many projects were continuously launched according to the economy stimulation package as planned.

In 2011, the Company and the Subsidiary earned revenues from construction works in the total amount of Baht 944.77 million which were divided into 66.69 % of private projects and 33.31 % of government projects.

Regarding costs of the Company, despite some fluctuation of oil price during the year, there was a little effect on the Company's operation as the Company's projects generally require only a few months to complete and the Company is able to adjust its selling price when taking a new project.

### Operating Results

In 2011, the Company and the Subsidiary had revenues from construction works in the total amount of Baht 944.77 million which increased by Bath 318.27 million or 50.80% from the previous year. For the government sector, the important projects were the Siam Square Block E & D2 project, the Improvement of Klong Lane Pane's Drainage System project, the Efficiency Improvement of Klong Kruay Pumping Station project, the Construction of Klong Song Kratum's Flood Protection project, the TV5 Building project and the Chulalongkorn University's International Dormitory project. For the private sector, the important projects were the EQUINOX Phahol - Vipha project, TC Green project, Astro Condominium project, SCG Head Office 3 & Car Park Buildings project, American International Assurance Office Building project, etc.

The project costs comprised of wages, construction materials, depreciation, consumables and other expenses required in production process in sequence of the amount of cost. The price of construction materials for foundation works such as concrete, cement, rebar, diesel and bentonite / polymer slurry was subject to change in accordance with the market and economic situation. In 2011 the Company and its Subsidiary had costs from construction works of Baht 776.34 million, increasing



Baht 232.74 million or 42.81% from the previous year. This translated into the percentage of cost to revenue from construction works at 82.17%.

In 2011, the Company and the Subsidiary had the selling and administrative expenses amounted to Baht 63.33 million of which Baht 54.86 million was incurred by the Company, showing an increase of Baht 12.43 million or 29.30% from the previous year. The other Baht 8.47million was incurred by the Subsidiary.

In 2011, the Company's net profit was Baht 75.06 million, showing an increase of Baht 36.11 million or 92.71% from the prior year. The earnings per share was Baht 0.38. The Company and the Subsidiary's net profit was Baht 75.65 million (excluding profit of minority interest in the Subsidiary amounting to Baht 0.57 million) showing an increase from Baht 32.35 million of the previous year (excluding loss of minority interest in the Subsidiary amounting to Baht 6.34 million).

### Financial Position

As of December 31, 2011, the Company and the Subsidiary's total assets were Baht 729.32 million comprising current assets of Baht 487.78million, increasing Baht 102.65 million from the prior year, and non - current assets of Baht 241.55 million, increasing Baht 26.61 million from the previous year. Such increase in current assets was mainly from short - term investments of Baht 33 million, from unbilled accrued income of Baht 59 million and from other items of Baht 10 million. Return on assets in 2011 was 11.47%.

Regarding liabilities as of December 31, 2011, the Company and its subsidiary had the total liabilities of Baht 332.25 million comprising current liabilities of Baht 309.82 million, higher than that of the previous year approximately Baht 70.71 million. This was mainly from an increase of Baht 51.07 million in trade accounts and note payable and Baht 15.84 million in deposits from customers whereas other items increased Baht 3.80 million. Non-current liabilities was Baht 22.43 million showing an increase of Baht 3.2 million from the previous year. Such increase were mainly from liabilities under employee benefits obligation showing an increase of Baht 4.97 million and decrease in long-term loan from bank and liabilities under hire-purchase agreement of Baht 1.77 million

In regard to shareholders' equity as of December 31, 2011, the consolidated financial statements showed shareholders' equity of Baht 397.07 million of which Baht 385.75 million belonged to the Company, higher than that of the previous year which was Baht 330.98 million. During the year, the Company gave a cash dividend payment of Baht 16 million. The total debt to equity ratio was 0.84 and the return on equity was 20.63%.

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### Audit Fee

In 2011, the audit fee of Baht 790,000 was paid to the auditor of Grant Thornton Limited, comprising the audit fee for the Company of Baht 590,000 and for the Subsidiary of Baht 200,000. There was no other non-audit fee paid to the auditor, the auditing firm employing the auditor and any person or any entity related to the auditor and such auditing firm. The aforementioned fee excluded out-of-pocket expenses such as printing of financial statements, transportation, etc., which were charged on actual costs but not exceeding 10% of the audit fee.

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## *REPORT OF INDEPENDENT AUDITOR*

To the Shareholders of Pylon Public Company Limited

I have audited the accompanying consolidated statement of financial position as at 31 December 2011 of Pylon Public Company Limited and subsidiary, and the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended. I have also audited the separate statement of financial position as at 31 December 2011 of Pylon Public Company Limited, and the related statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management as to their correctness and completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audit. The consolidated financial statements of Pylon Public Company Limited and subsidiary, and the Company's separate financial statements for the year ended 31 December 2010, were audited by Mrs. Sumalee Chokdeeanant, an auditor in the same office as mine who expressed an unqualified opinion thereon on her report dated 28 February 2011.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position as at 31 December 2011 and the consolidated result of operations and cash flows for the year then ended of Pylon Public Company Limited and subsidiary, and the Company's separate financial position as at 31 December 2011 and its result of operations and cash flows for the year then ended, in conformity with generally accepted accounting principles.

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Without modifying my above audit report, I draw attention to information as discussed in Note 2 to the financial statements, that effective 1 January 2011, the Company adopted the new and amended Accounting Standards and Financial Reporting Standards issued by the Federation of Accounting Professions for the preparation and presentation of financial statements. The financial statements for the year ended 31 December 2010, presented herein for comparative purposes, have been modified and presented in new format to conform with the financial statements for the year ended 31 December 2011.

Mr. Somckid Tiatragul

Certified Public Accountant

*Registration No. 2785*

Bangkok, Thailand

24 February 2012

## PYLON PUBLIC COMPANY LIMITED AND SUBSIDIARY

## STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2011 AND 2010

(Unit : Baht)

	Notes	CONSOLIDATED F/S		SEPARATE F/S	
		2011	2010	2011	2010
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	7	33,305,920	51,345,423	26,981,178	51,222,525
Temporary investments	8	78,362,264	45,210,485	78,068,621	45,207,680
Trade accounts and notes receivable - net					
- general customers	9	37,254,189	92,924,020	33,590,853	80,698,290
- subsidiary company	6	-	-	3,307,052	3,898,036
Unbilled accrued income	10	150,692,895	91,585,956	136,583,377	74,294,779
Other receivable - subsidiary company	6	-	-	104,041	-
Short-term loan to subsidiary company	6	-	-	20,000,000	-
Contracted construction work in progress		23,219,752	5,247,102	2,777,564	4,725,482
Spare parts and supplies inventories		46,315,792	27,232,777	42,126,756	26,617,497
Retentions receivable - net	11	57,281,639	46,121,148	37,262,392	33,320,885
Advances for purchases of supplies		53,555,474	21,087,406	43,560,911	21,087,406
Advances for subcontract work - subsidiary company	6	-	-	25,473,963	-
Other current assets		7,788,988	4,374,265	6,090,373	3,556,287
Total Current Assets		487,776,913	385,128,582	465,927,081	344,628,867
NON - CURRENT ASSETS					
Restricted deposits with banks	12	29,220,480	13,629,800	17,516,680	2,500,000
Investment in subsidiary company	13	-	-	15,299,970	15,299,970
Property, plant and equipment-net	14	196,439,562	180,923,555	191,016,876	180,207,369
Deposits and guarantees		2,660,867	2,413,451	2,257,768	2,405,951
Refundable income tax deducted at sources		13,225,120	17,976,677	6,458,487	14,072,500
Total Non - Current Assets		241,546,029	214,943,483	232,549,781	214,485,790
TOTAL ASSETS					
		729,322,942	600,072,065	698,476,862	559,114,657

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

PYLON PUBLIC COMPANY LIMITED AND SUBSIDIARY  
 STATEMENTS OF FINANCIAL POSITION  
 AS AT 31 DECEMBER 2011 AND 2010

(Unit : Baht)

	Notes	CONSOLIDATED F/S		SEPARATE F/S	
		2011	2010	2011	2010
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES					
Bank overdrafts and short - term loans	15	9,214,355	18,265,665	-	3,529,326
Trade accounts and notes payable		160,190,789	109,122,315	134,232,424	105,783,298
Short - term loan from director	6	-	6,800,000	-	-
Current portion of ;					
- Long - term loans from bank	16	5,938,680	5,938,680	5,938,680	5,938,680
- Liabilities under hire - purchase agreements	17				
		6,720,157	3,583,673	6,403,489	3,583,673
Retentions payable		17,019,107	12,402,273	10,099,713	10,454,754
Retentions payable - subsidiary company	6	-	-	7,452,588	-
Accrued expenses		33,306,434	18,969,338	26,938,908	17,381,947
Accrued expenses-subsiary company	6	-	-	32,820,564	2,809,580
Deposits from customers		68,536,545	52,695,143	62,705,284	49,068,605
Other current liabilities		8,890,429	11,331,390	5,096,594	10,360,514
Total Current Liabilities		309,816,496	239,108,477	291,688,244	208,910,377
NON - CURRENT LIABILITIES					
Long - term loans from bank-net	16	7,440,290	13,378,970	7,440,290	13,378,970
Liabilities under hire - purchase agreements - net	17	10,025,269	5,848,411	9,365,437	5,848,411
Liabilities under employee benefits obligation	18	4,968,762	-	4,230,462	-
Total Non - Current Liabilities		22,434,321	19,227,381	21,036,189	19,227,381
TOTAL LIABILITIES		332,250,817	258,335,858	312,724,433	228,137,758

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

PYLON PUBLIC COMPANY LIMITED AND SUBSIDIARY  
 STATEMENTS OF FINANCIAL POSITION  
 AS AT 31 DECEMBER 2011 AND 2010

		(Unit : Baht)			
		CONSOLIDATED F/S		SEPARATE F/S	
	Note	2011	2010	2011	2010
<u>LIABILITIES AND SHAREHOLDERS' EQUITY (CONTINUED)</u>					
SHAREHOLDERS' EQUITY					
Share capital - common share at Baht 1 par value					
- Authorized 200,000,000 shares		200,000,000	200,000,000	200,000,000	200,000,000
- Issued and fully paid - up 200,000,000 shares		200,000,000	200,000,000	200,000,000	200,000,000
Share premium		58,871,217	58,871,217	58,871,217	58,871,217
Retained earnings					
- Appropriated for legal reserve	19	13,288,500	9,534,500	13,288,500	9,534,500
- Unappropriated		111,868,754	60,561,426	113,592,712	62,571,182
Total equity of the Company's shareholders		384,028,471	328,967,143	385,752,429	330,976,899
Non-controlling interest		13,043,654	12,769,064	-	-
Total Shareholders' Equity		397,072,125	341,736,207	385,752,429	330,976,899
TOTAL LIABILITIES AND					
SHAREHOLDERS' EQUITY					
		729,322,942	600,072,065	698,476,862	559,114,657
The accompanying notes form an integral part of these financial statements.					

PYLON PUBLIC COMPANY LIMITED AND SUBSIDIARY  
 STATEMENTS OF COMPREHENSIVE INCOME  
 FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

(Unit : Baht)

	Notes	CONSOLIDATED F/S		SEPARATE F/S	
		2011	2010	2011	2010
Revenues from construction		944,769,617	626,496,463	841,159,704	612,109,286
Costs of construction	22	(776,337,700)	(543,603,938)	(686,128,050)	(523,452,796)
Gross profit		168,431,917	82,892,525	155,031,654	88,656,490
Other income	23	3,099,142	4,369,621	6,552,507	4,786,467
Income before expenses		171,531,059	87,262,146	161,584,161	93,442,957
Selling expenses		(2,816,645)	(1,993,096)	(2,468,079)	(1,893,331)
Administrative expenses		(60,513,718)	(46,294,494)	(52,389,334)	(40,534,785)
Total expenses	22	(63,330,363)	(48,287,590)	(54,857,413)	(42,428,116)
Income before financial cost and income tax		108,200,696	38,974,556	106,726,748	51,014,841
Financial cost		(2,375,480)	(2,431,803)	(2,061,892)	(1,537,110)
Income before income tax		105,825,216	36,542,753	104,664,856	49,477,731
Income tax	20	(29,604,552)	(10,526,751)	(29,604,552)	(10,526,751)
Net income for the year		76,220,664	26,016,002	75,060,304	38,950,980
Other comprehensive income (loss) for the year		-	-	-	-
Total comprehensive income for the year		76,220,664	26,016,002	75,060,304	38,950,980
Total comprehensive income (loss) attributable to					
The Company's shareholders		75,652,087	32,354,154	75,060,304	38,950,980
Non - controlling interest		568,577	(6,338,152)	-	-
TOTAL		76,220,664	26,016,002	75,060,304	38,950,980
Basic earnings per shares (Baht)					
Net income per share (Baht)		0.38	0.16	0.38	0.19
Weighted average number of common shares (Shares)		200,000,000	200,000,000	200,000,000	200,000,000

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



PYLON PUBLIC COMPANY LIMITED AND SUBSIDIARY  
 STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
 FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

		Shareholders' equity of Company					(Unit : Baht)	
		Retained Earnings			Total Equity of Cmpany's Shareholders	Non-controlling Interest in subsidiary	Total Shareholders' Equity	
Notes		Paid-Up share capital	Share premium	Legal reserve				Unappropriated
CONSOLIDATED F/S								
		200,000,000	58,871,217	7,586,500	55,155,272	321,612,989	19,107,216	340,720,205
		-	-	-	32,354,154	32,354,154	(6,338,152)	26,016,002
	21	-	-	-	(25,000,000)	(25,000,000)	-	(25,000,000)
	19	-	-	1,948,000	(1,948,000)	-	-	-
		200,000,000	58,871,217	9,534,500	60,561,426	328,967,143	12,769,064	341,736,207
		200,000,000	58,871,217	9,534,500	60,561,426	328,967,143	12,769,064	341,736,207
Cumulative effect of changes in accounting policy								
	18	-	-	-	(4,590,759)	(4,590,759)	(293,987)	(4,884,746)
		-	-	-	75,652,087	75,652,087	568,577	76,220,664
	21	-	-	-	(16,000,000)	(16,000,000)	-	(16,000,000)
	19	-	-	3,754,000	(3,754,000)	-	-	-
		200,000,000	58,871,217	13,288,500	111,868,754	384,028,471	13,043,654	397,072,125

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

PYLON PUBLIC COMPANY LIMITED AND SUBSIDIARY  
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

(Unit : Baht)

	Notes	Paid-up share capital	Share premium	Retained Earnings		Total
				Appropriated for		
				legal reserve	Unappropriated	
<u>SEPARATE F/S</u>						
Balance as at 1 January 2010		200,000,000	58,871,217	7,586,500	50,568,202	317,025,919
Total comprehensive income for the year		-	-	-	38,950,980	38,950,980
Dividend payment	21	-	-	-	(25,000,000)	(25,000,000)
Appropriated for legal reserve	19	-	-	1,948,000	(1,948,000)	-
Balance as at 31 December 2010		200,000,000	58,871,217	9,534,500	62,571,182	330,976,899
Balance as at 1 January 2011		200,000,000	58,871,217	9,534,500	62,571,182	330,976,899
Cumulative effect of changes in accounting policy						
for employee benefits obligation	18	-	-	-	(4,284,774)	(4,284,774)
Total comprehensive income for the year		-	-	-	75,060,304	75,060,304
Dividend payment	21	-	-	-	(16,000,000)	(16,000,000)
Appropriated for legal reserve	19	-	-	3,754,000	(3,754,000)	-
Balance as at 31 December 2011		200,000,000	58,871,217	13,288,500	113,592,712	385,752,429

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

## PYLON PUBLIC COMPANY LIMITED AND SUBSIDIARY

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

(Unit : Baht)

	CONSOLIDATED F/S		SEPARATE F/S	
	2011	2010	2011	2010
Cash flows from operating activities				
Income before income tax	105,825,216	36,542,753	104,664,856	49,477,731
Adjustments to reconcile net income to net cash provided from (used in) operating activities				
Depreciation	31,956,909	30,244,140	31,294,898	30,076,292
Employee benefit	982,099	-	870,109	-
Gain from sale of fixed assets	(121,182)	(704,194)	(64,951)	(704,194)
Loss from written-off of fixed assets	1,023,265	-	1,023,265	-
Allowance for loss on construction project	2,075,224	-	-	-
Allowance (reversal of allowance) for doubtful account	(499,004)	114,133	(499,004)	114,133
Interest expense	2,375,480	2,431,803	2,061,892	1,537,110
Cash provided from operations before changes in operating assets and liabilities	143,618,007	68,628,635	139,351,065	80,501,072
Decrease (Increase) in operating assets				
Trade accounts and notes receivable	56,238,975	7,070,317	48,267,565	(21,719,318)
Unbilled accrued income	(59,106,939)	(51,217,571)	(62,288,598)	(59,284,959)
Other receivable - subsidiary company	-	-	(104,041)	297,893
Contracted construction work in progress	(17,972,650)	(1,342,607)	(8,052,082)	(1,886,256)
Spare parts and supplies inventories	(19,083,015)	(8,797,265)	(15,509,259)	(8,789,321)
Retentions receivable	(11,230,631)	(7,496,949)	(4,011,647)	(3,811,343)
Advances for purchases of supplies	(32,468,068)	(10,823,355)	(22,473,505)	(10,823,355)
Advances for subcontract work - subsidiary company	-	-	(25,473,963)	-
Other current assets	(3,414,723)	3,292,910	(2,534,086)	393,820
Deposits and guarantees	(247,416)	(197,770)	148,183	(191,270)
Refundable income tax deducted at sources	10,526,362	3,096,563	8,205,875	3,096,563
Increase (Decrease) in operating liabilities				
Trade accounts and notes payable	51,068,474	51,384,280	28,449,126	69,862,020
Other payable - subsidiary company	-	-	-	(39,464)
Retentions payable	4,616,834	733,125	(355,041)	(243,641)
Retentions payable - subsidiary company	-	-	7,452,588	-
Accrued expenses	14,605,496	4,960,268	9,566,920	8,908,464
Accrued expenses - subsidiary company	-	-	30,010,984	-
Deposits from customers	15,841,402	46,301,224	13,636,679	45,141,948
Other current liabilities	(4,516,186)	3,239,213	(5,263,926)	4,813,161

Liabilities under employee benefits obligation	(1,150,720)	-	(1,150,720)	-
Cash provided from operations	147,325,202	108,831,018	137,872,123	106,226,014
Interest payment	(2,391,242)	(2,183,725)	(1,845,552)	(1,538,659)
Income tax payment	(35,379,357)	100	(30,196,414)	(16,313,258)
Net cash provided from operating activities	109,554,603	88,750,345	105,830,157	88,374,097
Cash Flows from investing activities				
Increase in restricted deposits with banks	(15,590,680)	(681,800)	(15,016,680)	-
Decrease (increase) in temporary investments	(33,151,779)	15,069,557	(32,860,941)	14,930,410
Increase in short-term loan to subsidiary	-	-	(20,000,000)	-
Acquisition of fixed assets	(37,776,801)	(23,742,122)	(32,164,955)	(23,543,167)
Proceeds from sale of fixed assets	2,328,886	2,120,280	865,986	2,120,280
Net cash used in investing activities	(84,190,374)	(7,234,085)	(99,176,590)	(6,492,477)
Cash flows from financing activities				
Decrease in bank overdrafts and short-term loans	(9,051,310)	(19,848,206)	(3,529,326)	(12,162,625)
Repayment of short -term loans from director	(6,800,000)	-	-	-
Proceed from short - term loan from director	-	6,800,000	-	-
Proceed from long - term loans	-	11,000,000	-	11,000,000
Repayment of long - term loans	(5,938,680)	(4,466,680)	(5,938,680)	(4,466,680)
Repayments of liabilities under hire - purchase agreements	(5,613,742)	(6,959,711)	(5,426,908)	(6,959,711)
Dividend payment	(16,000,000)	(25,000,000)	(16,000,000)	(25,000,000)
Net cash used in financing activities	(43,403,732)	(38,474,597)	(30,894,914)	(37,589,016)
Net increase (decrease) in cash and cash equivalents	(18,039,503)	43,041,663	(24,241,347)	44,292,604
Cash and cash equivalents at beginning of year	51,345,423	8,303,760	51,222,525	6,929,921
Cash and cash equivalents at end of year	33,305,920	51,345,423	26,981,178	51,222,525

#### Supplemental disclosures for cash flows information

##### Non - cash item

##### - For the year ended 31 December 2011

The Company acquired machineries and vehicles for Baht 24.94 million of which Baht 11.51 million was under hire - purchase agreements.

The Subsidiary acquired vehicles for Baht 1.80 million of which Baht 1.14 million was under hire - purchase agreements.

The Company and subsidiary recognized provision for employee past service benefits as at 1 January 2011 by adjusting the past service cost with

retained earnings of Baht 4.88 million for consolidated financial statements and of Baht 4.28 million for the separate financial statements.

##### - For the year ended 31 December 2010

The Company acquired machineries and vehicles for Baht 27.99 million of which Baht 9.30 million was under hire - purchase agreements.

## PYLON PUBLIC COMPANY LIMITED AND SUBSIDIARY

## NOTES TO FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2011 AND 2010

1. GENERAL INFORMATION

Pylon Public Company Limited was incorporated on 13 August 2002. The Company is engaged in providing services on construction of foundation works with pre-stressed concrete piles, bored piles and other foundation work, and construction business.

The Company was registered as a public company on 20 July 2005 and its shares are being trade in "MAI" of the Stock Exchange of Thailand (SET) on 23 December 2005. The Company's address is at 170/16 Soi Sammit (Sukhumvit Soi 16) Rachadapisektdamai Rd., Klongtoey, Klongtoey, Bangkok 10110.

2. BASIS OF FINANCIAL STATEMENTS PREPARATION AND PRINCIPLE OF CONSOLIDATION

The accompanying financial statements have been prepared in accordance with the generally accepted accounting principles issued under the Accounting Act B.E. 2543, and accounting standards issued under Accounting Profession Act B.E. 2547, and the regulations promulgated by the Securities and Exchange Commission and the Securities Exchange of Thailand concerning the preparation and the disclosure of financial information, under the Securities and Exchange Act B.E. 2535. The financial statements have been prepared on a historical cost basis except as, otherwise, disclosed specifically.

The financial statements are officially prepared in Thai language in accordance with statutory requirement with accounting standards enumerated under the Accounting Profession Act B.E. 2547. The translation of these statutory financial statements to other language must be based on the Thai financial report.

During the year 2010 and 2011, the Federation of Accounting Professions has announced the new and amendments to some accounting standards and financial reporting standards, which are effective for the accounting periods beginning on or after 1 January 2011 and 1 January 2013. The Company and subsidiary have applied those standards which are effective for the accounting periods on or after 1 January 2011 in this financial statements. The standards that impact changes to the financial statements from previous year are as follows :

TAS 1 (revised 2009) : Presentation of financial statements

A set of financial statements comprises statements of financial position, comprehensive income, changes in shareholder equity, cash flows and notes to financial statements. This change impacts only the presentation of financial statements and does not impact net income or earnings per share.

TAS 16 (Revised 2009) : Property, plant and equipment

The significant changes that affect the Company and subsidiary are the determination of depreciation for assets based on the segregation of components of assets, if each part is significant with different useful lives, and the residual value of such asset that needs to be estimated with present value, if it has useful life under the current condition at the end of its useful life. In addition, the residual value and useful lives of an asset have to be reviewed at least at the end of each year.

The changes have been applied prospectively in accordance with the transitional provisions of the revised TAS. However, this revised standard does not have significant impact to the property, plant and equipment of the Company and subsidiary.

#### TAS 19 : Employee benefits

##### Post-employment benefits (Defined contribution plans)

The Company, the subsidiary company and their employees have jointly established a contributory provident fund, whereby monthly contributions are made by employees and by the Company and subsidiary. The fund's assets are held in a separate trust fund. The Company's and subsidiary's contributions are recognised as expenses when incurred.

##### Post-employment benefits (Defined benefit plans)

The Company and subsidiary have obligations in respect of the severance payments for employees upon retirement under the Labour Law. The Company and subsidiary treat these severance payment obligations as a defined benefit plan.

The Company's obligation under the defined benefit plan is determined by actuary, using the projected unit credit method. The subsidiary's obligation under the defined benefit plan is determined by its management, using the projected unit credit method in accordance with actuarial technique. The subsidiary's management considered that few employees are probably entitled to receive post-employment benefits to reach retirement age policies and amount of the obligation under the defined benefit plan is not have significant impact to the overall financial statements. The subsidiary, therefore does not hire the actuary to compute the obligation under the plan.

For the first-time adoption of TAS 19, the Company and subsidiary elected to recognise the transitional liabilities for past service costs through an adjustment to the retained earnings as at 1 January 2011 in accordance with an option under the transitional of this standard.

#### TAS 24 (Revised 2009) : Related party disclosures

The significant change is to disclose key management personnel compensation.

The consolidated financial statements include the financial statements of Pylon Public Company Limited and subsidiary, as follow :

Name of subsidiary	Percentage of holding		Nature of business
	2011	2010	
Excelon Co., Ltd.	51	51	Provide the design, construction, consulting and architectural service for building/ structures

As at 31 December 2011 and 2010, the total assets of subsidiary represents 14.16 percent and 10.49 percent of the total assets in the consolidated financial statements, respectively, and total revenues of subsidiary for the years ended 31 December 2011 and 2010, represents 10.97 percent and 2.30 percent, respectively, of the total revenues in the consolidated financial statements.

Intercompany balances and transactions and investment in subsidiary company have been eliminated from the consolidated financial statements.

The consolidated financial statements have been prepared with the same accounting policy for the same accounting transactions or accounting events as used for the preparation of separate financial statements.

### 3. CUMULATIVE EFFECTS OF CHANGES IN ACCOUNTING POLICIES FROM THE ADOPTION OF NEW ACCOUNTING STANDARDS

Effective 1 January 2011, the Company and subsidiary made changes to their significant accounting policies described in Note 2, as a result of the adoption of revised and new accounting standards. The cumulative effects of the changes in the accounting policies are separately presented in the statements of changes in shareholders' equity.

The amounts of adjustments affecting the statement of financial position as at 1 January 2011 and the statement of comprehensive income for the year ended 31 December 2011 are summarised below :

	(Unit: Baht)	
	CONSOLIDATED F/S	SEPARATE F/S
<u>Statement of financial position</u>		
Retained earnings as at 31 December 2010	60,561,426	62,571,182
- as previously reported		
Adjustment for liabilities under employee benefits obligation increased	(4,884,746)	(4,284,774)
Non-controlling interest in subsidiary decreased	293,987	-
Retained earnings as at 1 January 2011 - as restated	55,970,667	58,286,408
<u>Statement of comprehensive income</u>		
Increased employee benefits	1,234,736	1,096,408
Basic earnings per share decreased (Baht per share)	(0.0061)	(0.0054)

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#### 4. SIGNIFICANT ACCOUNTING POLICIES

##### Revenues, costs and expenses recognition

###### *Revenues*

Revenues from construction are recognized on a percentage of completion basis based on the assessment of the Company's engineers. The recognized revenues which are not yet due per the contracts has been presented under the caption "Unbilled accrued income" in the statements of financial position.

Rental income is recognized over the period of the lease agreement. Service income is recognised when the service has been rendered.

###### *Costs*

Costs of construction are recognized in accordance with the percentage of work completed based on total estimated costs. Provision for anticipated losses on construction projects is made in the accounts in full amount when the possibility of loss is ascertained. Differences between the estimated costs and the actual costs are recognized as current assets or current liabilities in the statements of financial position whichever the case may be.

Other expenses are recorded on an accrual basis.

##### Cash and cash equivalents

Cash and cash equivalents include cash on hand and highly liquid cash in banks (which are not pledged as collateral) that are readily convertible to cash on maturity date with insignificant risk of change in value.

##### Temporary investments

Temporary investments consist of fixed deposit and promissory notes due within 1 year. The investments are stated at fair value.

##### Trade accounts receivable

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

##### Spare parts and supplies

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



Investment in subsidiary company

Investment in subsidiary company presented in the separate statements of financial position is accounted for by the cost method. Provisions for impairment are taken up in the accounts to adjust the value of investment whenever circumstances indicate the recoverable amount of investment to be lower than its carrying amount.

Property, plant and equipment and depreciation

Property, plant and equipment are recorded at cost. Cost is measured by the cash or cash equivalent price of obtaining the asset that bring the assets to the location and condition necessary for its intended use. Plant and equipment are presented in the statements of financial position at costs less accumulated depreciation. When assets are sold or retired, their costs and accumulated depreciation are eliminated from the accounts and any gain/loss resulting from their disposals is included in the statements of comprehensive income.

The Company and subsidiary depreciate their land improvements, plant and equipment by the straight - line method, over the estimated useful lives of the assets based on the segregation of components of assets, if each part is significant with different useful lives. Estimated useful lives of the assets are as follows :

	Years
Building - factory	20
Leasehold improvements	5
Machinery	10
Tools and equipment	5
Furniture, fixtures and office equipment	3 - 5
Vehicles	5

No depreciation is made for land and machinery under installation.

Expenditure for additions, renewals and betterment are capitalized. Repair and maintenance costs are recognized as expenses when incurred.

Lease agreements - where the Company and subsidiary are the lessees

Leases of equipment where the Company and subsidiary assume substantially all the benefit and risk of ownership are classified as finance leases. Finance leases are capitalized at the fair value of leases of assets or estimated present value of the underlying lease payments whichever is lower. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the outstanding lease payments. Lease payments net of financial charges, are recognized as liabilities under financial lease agreements. The interest expense is charged to statement of income over the lease period. Assets acquired under finance lease agreements are depreciated over the useful lives of the assets.

Leases of assets, under which all the risks and benefits of ownership are effectively retained by the lessor, are classified as operating leases. Payments made under operating leases are charged to statements of

comprehensive income on a straight - line basis over the lease period. When an operating lease is terminated before expiry date of the lease period, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

#### Hire purchase agreement

The Company and subsidiary record asset acquired under hire purchase agreement as asset and liability in the statements of financial position at amount equal to the fair value of such asset at the inception of the contract or, if lower, at the present value of the minimum payment. In calculating the present value of the minimum payment, the discount factor used is the interest rate implicit in the contract. The interest charge is recorded in period during the lease term based on the remaining balance of the liability for each year.

#### Impairment

At the end of the year, the Company and subsidiary assess whether there is an indication that any asset may be impaired or not. If any such indication exists, the Company and subsidiary make an estimate of the asset recoverable amount. Where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in the income statement. An asset recoverable amount is the higher of fair value less costs to sell or value in use.

#### Income tax

The Company and subsidiary account for income tax based on the provision of the Revenue Code.

#### Related companies

Related parties comprise enterprises and individuals that control, or are controlled by the Company, whether directly or indirectly, or which are under common control with the Company.

They also include associated companies and individuals which directly or indirectly own a voting interest in the Company that give them significant influence over the Company, key management personnel, directors and officers with authority in the planning and directing of the Company's operations.

#### Basic earnings per share

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

#### Employee benefits

Salaries, wages, bonuses and contributions to the social security fund and provident fund are recognized as expenses on an accrual basis.

#### Staff provident fund

The Company and subsidiary set up contributory registered provident funds for their employees, in accordance with The Provident Fund Act B.E. 2530. The contributions from staffs are deducted from their monthly salaries. The Company and subsidiary also made monthly contributions to the Fund to match staff contributions.

#### Dividend payment

Dividend payment is recorded in the financial statements in the period in which they are approved by the Shareholders or Board of Directors of the Company.

#### Use of accounting estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumption that affect the reporting amounts of revenues, expenses, assets and liabilities and disclosure of contingent assets and liabilities. The actual results may differ from those estimates.

#### Provisions for liabilities and expenses, and contingent assets

Provisions are recognized when the Company and subsidiary have a present legal or constructive obligation as a result of past events with probable outflow of resources to settle the obligation and where a reliable estimate of the amount can be made. The contingent assets will be recognized as separate assets only when the realization is virtually certain.

### 5. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTION AND JUDGEMENT AND CAPITAL RISK MANAGEMENT

#### 5.1 Critical accounting estimates, assumption and judgments

##### a. Construction revenues recognition

The stage of completion of any construction contract is assessed by Company's engineers and subsidiary's engineers by taking into consideration all information available at the reporting date. In this process, management carries out significant judgments about milestones, actual work performed and the estimated costs to complete the work. Significant assumptions are required to estimate the total contract costs and the recoverable variation works that will affect the stage of completion. Actual outcome in terms of actual costs or revenue may be higher or lower than estimated at the statements of financial position date, which would affect the revenue and profit recognised in future years, are adjusted to the cumulative costs recorded to date.

##### b. Impairment of receivables

The Company and subsidiary account for allowance for doubtful accounts equal to the estimated collection losses that may be incurred in the collection of receivables. The estimated losses are based on historical collection experiences couple with a review of outstanding receivables aging at the end of year.

c. Property, plant and equipment

Management determines the estimated useful lives and residual values for plant and equipment of the Company and subsidiary at the end of the year and will revise the depreciation charge where useful lives and residual values previously estimated have changed or subject to be written down for their technical obsolescence or when they are no longer in used.

d. Allowance for project losses

The Company and subsidiary review their construction work-in-progress to determine whether there is any indication of foreseeable loss. Identified foreseeable loss is recognised immediately in the statement of income when it is probable that total contract cost will exceed total contract revenue as determined by the management.

e. Impairment of investments

The Company treats investments as impaired when there has been a significant or prolonged decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires management judgment.

## 5.2 Capital risk management

The Company and subsidiary’s objectives in the management of capital are to safeguard their ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company and subsidiary may adjust the dividend payment to shareholders, to issue new shares or debentures to finance debts or sell assets to reduce debts.

## 6. TRANSACTIONS WITH RELATED COMPANY

The Company has transactions with related parties. Certain portions of the Company’s assets, liabilities, sales, other income, costs of sales and selling and administrative expenses represent transactions occurred with subsidiary. Those transactions with subsidiary as included in the financial statements are determined at the prices in line with those occurred in the normal course of business based on the market price in general or the price as stipulated in the agreement if no market price exists.

Significant balances with related parties as at 31 December 2011 and 2010 are follow :

		(Unit : Baht)			
		CONSOLIDATED F/S		SEPARATE F/S	
	Relationship	2011	2010	2011	2010
Trade accounts and notes receivable					
Excelon Co., Ltd.	Subsidiary			3,307,052	3,898,036
Other receivable					
Excelon Co., Ltd.	Subsidiary			104,041	-
Short - term loan to subsidiary					
Excelon Co., Ltd.	Subsidiary			20,000,000	-
Advances for subcontract work					
Excelon Co., Ltd.	Subsidiary			25,473,963	-
Retention payable					
Excelon Co., Ltd.	Subsidiary			7,452,588	-
Accrued expenses					
Excelon Co., Ltd.	Subsidiary			32,820,564	2,809,580
Short - term loan from director					
Director of subsidiary	Director of subsidiar		6,800,000	-	-
Liabilities under employee benefits obligator					
Key management personal		1,092,631	-	1,052,871	-

As at 31 December 2011, short - term loan to subsidiary bears interest at MLR+0.5 percent per annum. The loan is no collateral and is repayable on 24 February 2012 to 27 June 2012.

As at 31 December 2010, short - term loan from director bear interest at 6.125 percent per annum. The loan was no collateral and is repayable at call.

Significant transactions with related parties for the years ended 31 December 2011 and 2010 are as follow :

		(Unit : Baht)			
		CONSOLIDATED F/S		SEPARATE F/S	
	The policy to pricing	2011	2010	2011	2010
Materials and supplies procurement margin income	Agreed rate	-	-	353,561	105,698
Management fee	Contract price	-	-	690,000	600,000
Other income	Agreed price	-	-	2,872,183	395,575
Materials and supplies procurement margin expense	Agreed rate	-	-	-	5,348
Project management fee	Agreed price	-	-	4,639,197	4,072,086
Administrative charge for project delay	Agreed price	-	-	3,200,000	-
Subcontractor work	Agreed price	-	-	52,272,229	3,185,787

Service expense	Agreed price	-	-	47,644	310,098
<u>Key directors and management personnel compensation</u>					
Short - term directors and management benefits		14,957,291	14,394,698	13,619,291	13,056,698
Liabilities under employee benefits obligation		377,201	-	365,414	-
Total		15,334,492	14,394,698	13,984,705	13,056,698

7. CASH AND CASH EQUIVALENTS

(Unit : Baht)

	CONSOLIDATED F/S		SEPARATE F/S	
	2011	2010	2011	2010
Cash on hand	1,018,428	721,500	738,428	621,500
Cash at bank - Current account	6,102,606	46,230	84,572	45,230
Cash at bank - Savings account	26,184,886	50,577,693	26,158,178	50,555,795
Total	33,305,920	51,345,423	26,981,178	51,222,525

During the year 2011, savings deposit with bank bears interest at 0.65 - 0.75 percent per annum (2010 : interest rates 0.50 - 1.15 percent per annum)

8. TEMPORARY INVESTMENTS

(Unit : Baht)

	Interest rate per annum	Period	CONSOLIDATED F/S		SEPARATE F/S	
			2011	2010	2011	2010
Fixed deposits	Fixed rates of 1.75 - 2.15 percent	3 months	3,362,264	210,485	3,068,621	207,680
Bills of exchange	Fixed rates of 3.25 - 4.00 percent	7 - 30 days	75,000,000	45,000,000	75,000,000	45,000,000
Total			78,362,264	45,210,485	78,068,621	45,207,680

9. TRADE ACCOUNTS AND NOTES RECEIVABLE

As at 31 December 2011 and 2010, the aged trade accounts and notes receivable are as follows:

[Unit : Baht]

	CONSOLIDATED F/S		SEPARATE F/S	
	2011	2010	2011	2010
<u>Trade accounts and notes receivable - general customers</u>				
Not yet due	20,744,971	63,957,045	20,744,971	63,957,045
Overdue 1 - 30 days	1,170,338	4,871,626	119,096	3,225,972
Overdue 31 - 60 days	820,690	96,670	820,690	96,670
Overdue 61 - 90 days	22,425	114,200	22,425	64,200
Overdue 91 - 180 days	1,041,650	637,907	280,171	-
Overdue 181 - 360 days	1,967,442	13,608,325	252,068	3,716,156
Overdue more than 360 days	19,553,900	18,274,618	19,418,659	18,274,618
Total	45,321,416	101,560,391	41,658,080	89,334,661
Less Allowance for doubtful accounts	(8,067,227)	(8,636,371)	(8,067,227)	(8,636,371)
Net	37,254,189	92,924,020	33,590,853	80,698,290

Trade accounts and notes receivable- subsidiary company

Not yet due	-	-	502,579	1,539,582
Overdue 1 - 30 days	-	-	-	537,842
Overdue 31 - 60 days	-	-	2,804,473	-
Overdue 61 - 90 days	-	-	-	-
Overdue 91 - 180 days	-	-	-	453,149
Overdue 181 - 360 days	-	-	-	1,367,463
Total	-	-	3,307,052	3,898,036

As at 31 December 2011 and 2010, the Company has trade accounts receivable overdue more than 360 days totaling Baht 15.3 million and Baht 17.9 million, respectively. The Company had agreed to off-set this receivable with another trade account payable for Baht 9.5 million. The Company, therefore, set provision for doubtful account for the net amount outstanding.

10. UNBILLED ACCRUED INCOME AND CONTRACTED CONSTRUCTION WORKS IN PROGRESS

The Company's aggregate costs of work in progress under construction contracts are as follow :

(Unit : Baht)

	CONSOLIDATED F/S		SEPARATE F/S	
	2011	2010	2011	2010
Aggregate costs of work in progress plus margin on the percentage of completion determined by engineers	747,241,583	492,275,014	528,608,525	281,475,508
<u>Add</u> Accrued cost of work in progress	3,559,260	2,680,569	373,223	1,656,768
<u>Less</u> Progress billings to date based on contracts	(576,888,196)	(398,122,525)	(379,620,807)	(204,112,015)
Balance of recognized income and work in progress	173,912,647	96,833,058	149,360,941	79,020,261
<u>Less</u> work in progress - at cost	(23,219,752)	(5,247,102)	(12,777,564)	(4,725,482)
Unbilled accrued income	150,692,895	91,585,956	136,583,377	74,294,779

11. RETENTIONS RECEIVABLE

(Unit : Baht)

	CONSOLIDATED F/S		SEPARATE F/S	
	2011	2010	2011	2010
Retentions receivable	58,191,334	46,960,702	38,172,087	34,160,439
<u>Less</u> Allowance for doubtful accounts	(909,695)	(839,554)	(909,695)	(839,554)
Net	57,281,639	46,121,148	37,262,392	33,320,885

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

12. RESTRICTED DEPOSITS WITH BANKS

As at 31 December 2011 and 2010, the Company and subsidiary had fixed deposits with banks totaling Baht 29.22 million and Baht 13.63 million, respectively, which have been pledged with banks as collateral for the bank guarantee for the Company's performance as well as the bank overdraft.



## 13. INVESTMENT IN SUBSIDIARY - AT COST

		Unit : Thousand Baht]					
	Nature of business	Paid-up capital (Thousand Baht)		Percentage of Shareholding (percent)		SEPARATE F/S at Cost	
		2011	2010	2011	2010	2011	2010
Subsidiary company Excelon Co., Ltd.	Provide the design, construction, consulting and architectural services for building/ structures	30,000	30,000	51	51	15,300	15,300

## 14. PROPERTY, PLANT AND EQUIPMENT - NET

		(Unit : Baht)				
		CONSOLIDATED F/S				
		2010	Increase	Decrease	Transfer	2011
					In (Out)	
Cost						
Land		31,729,641	-	-	-	31,729,641
Building - factory		33,172,184	-	-	-	33,172,184
Building - office and improvement		13,432,583	-	-	-	13,432,583
Machinery		178,486,399	21,990,990	(4,381,243)	-	196,096,146
Tools and equipment		60,501,632	18,720,321	(515,400)	364,413	79,070,966
Furniture, fixtures and office equipment		5,807,219	941,754	(3,729)	-	6,745,244
Vehicles		23,227,347	6,596,345	(444,600)	-	29,379,092
Machinery under installation		1,250,060	2,840,735	-	(364,413)	3,726,382
Total		347,607,065	51,090,145	(5,344,972)	-	393,352,238

(Unit : Baht)

## CONSOLIDATED F/S

				Transfer	
	2010	Increase	Decrease	In (Out)	2011
Accumulated depreciation					
Building - factory	8,605,428	1,981,426	-	-	10,586,854
Building - office and improvement	6,495,450	486,933	-	-	6,982,383
Machinery	79,720,589	20,285,990	(1,460,406)	-	98,546,173
Tools and equipment	50,493,158	5,687,113	(233,971)	-	55,946,300
Furniture and fixtures	4,555,310	629,736	(1,172)	-	5,183,874
Vehicles	16,813,575	2,885,711	(32,194)	-	19,667,092
Total	166,683,510	31,956,909	(1,727,743)	-	196,912,676
Net Book Value	180,923,555				196,439,562
Depreciation allocation:					
Costs of goods sold	27,134,069				29,605,809
Selling and administrative expenses	3,110,071				2,351,100
Total	30,244,140				31,956,909

As at 31 December 2011 and 2010, the gross carrying amounts of the fully depreciated equipments of the Company that are still in use are Baht 45.75 million and Baht 45.63 million, respectively.

(Unit : Baht)

## SEPARATE F/S

				Transfer	
	2010	Increase	Decrease	In (Out)	2011
Cost					
Land	31,729,641	-	-	-	31,729,641
Building - factory	33,172,184	-	-	-	33,172,184
Building - office and improvement	13,432,583	-	-	-	13,432,583
Machinery	178,486,399	20,149,490	(2,869,743)	-	195,766,146
Tools and equipment	59,635,617	15,540,776	(230,000)	364,413	75,310,806
Furniture, fixtures and office equipment	5,658,581	643,047	(3,729)	-	6,297,899
Vehicles	23,227,347	4,800,105	(444,600)	-	27,582,852
Machinery under installation	1,250,060	2,795,288	-	(364,413)	3,680,935
Total	346,592,412	43,928,706	(3,548,072)	-	386,973,046

(Unit : Baht)

	SEPARATE F/S				2011
	2010	Increase	Decrease	Transfer In (Out)	
Accumulated depreciation					
Building - factory	8,605,428	1,981,426	-	-	10,586,854
Building - office and improvement	6,495,450	486,933	-	-	6,982,383
Machinery	79,720,589	20,257,782	(1,460,406)	-	98,517,965
Tools and equipment	50,221,485	5,353,909	(229,999)	-	55,345,395
Furniture, fixtures and office equipment	4,528,516	553,151	(1,172)	-	5,080,495
Vehicles	16,813,575	2,661,697	(32,194)	-	19,443,078
Total	166,385,043	31,294,898	(1,723,771)	-	195,956,170
Net Book Value	180,207,369				191,016,876
Depreciation allocation:					
Costs of goods sold	26,983,150				29,244,397
Selling and administrative expenses	3,093,142				2,050,501
Total	30,076,292				31,294,898

As at 31 December 2011 and 2010, the Company's land and building have been mortgaged to cover the bank overdrafts and long - term loan (Note 15 and 16).

As at 31 December 2011 and 2010, the gross carrying amounts of the fully depreciated equipments of the Company that are still in use are Baht 45.75 million and Baht 45.63 million, respectively.

#### 15. BANK OVERDRAFTS AND SHORT - TERM LOANS

As at 31 December 2010, the Company has short - term loans from financial institution in the form of discounted promissory notes totaling Baht 3.53 million. The discounted promissory notes bear interest rates of 1.75 - 2.90 percent per annum.

As at 31 December 2011 and 2010, the Company has bank overdraft lines with 3 banks of Baht 42 million. Bank overdrafts lines are collateralized by the mortgage of the Company's land and construction thereon, the title to possess the office condominium unit, and fixed deposits totalling Baht 2.50 million.

As at 31 December 2011 and 2010, the subsidiary has bank overdraft of Baht 9.21 million and Baht 14.73 million, respectively.

As at 31 December 2010, the subsidiary has bank overdraft and other credit facilities totaling Baht 45 million. Those credit facilities are collateralized by the Company and the personal guarantees of certain subsidiary's directors and the mortgage of the fixed deposits totalling Baht 10 million. Moreover, subsidiary has credit facility for working capital (factoring - construction projects) with bank for an amount of Baht 40.52 million and had transferred the right to collect money from customers to the bank. This credit facility is guaranteed by the Company and the personal guarantees of certain subsidiary's directors.

16. LONG - TERM LOANS FROM BANK

(Unit : Baht)

	CONSOLIDATED F/S		SEPARATE F/S	
	2011	2010	2011	2010
Long - term loans from bank	13,378,970	19,317,650	13,378,970	19,317,650
<u>Less</u> Current portion due within one year	(5,938,680)	(5,938,680)	(5,938,680)	(5,938,680)
Long - term loans from bank - net	7,440,290	13,378,970	7,440,290	13,378,970

As at 31 December 2011 and 2010, the Company has long - term loans from a bank of Baht 13.38 million and Baht 19.32 million, respectively bear interest at the rate MLR - 0.5 per annum and are repayable monthly until August 2015. Those loans are collateralized by the Company's land and construction thereon, and the right to possess the office condominium unit.

17. LIABILITIES UNDER HIRE - PURCHASE AGREEMENTS

(Unit : Baht)

	CONSOLIDATED F/S		SEPARATE F/S	
	2011	2010	2011	2010
Liabilities under hire - purchase agreements	18,592,225	10,119,023	17,512,387	10,119,023
<u>Less</u> Deferred interest charges	(1,846,799)	(686,939)	(1,743,461)	(686,939)
	16,745,426	9,432,084	15,768,926	9,432,084
<u>Less</u> Current portion due within one year	(6,720,157)	(3,583,673)	(6,403,489)	(3,583,673)
Liabilities under hire - purchase agreements - net	10,025,269	5,848,411	9,365,437	5,848,411

18. LIABILITIES UNDER EMPLOYEE BENEFITS OBLIGATION

During the year 2011, the Company and subsidiary have first time adopted of accounting policies "Employee Benefits", effective on 1 January 2011, which the Company and subsidiary choose to recognise past service cost of employee benefits obligation up to 1 January 2011 by adjusting to the retained earnings as at 1 January 2011 of

the Company and subsidiary amounted to Baht 4.28 million and Baht 0.60 million, respectively, which is an option in accordance with a transitional method of this standard.

During the year ended 31 December 2011, movements in employee benefits obligation are as follow :

(Unit: Baht)

	CONSOLIDATED F/S	SEPARATE F/S
Balance as at 1 January 2011	-	-
Effect of change in accounting policy for past service employee benefits obligation	4,884,746	4,284,774
Balance as at 1 January 2011 - adjusted	4,884,746	4,284,774
Provision expense recorded in the statement of comprehensive income	1,234,736	1,096,408
Paid out during the year	(1,150,720)	(1,150,720)
Balance as at 31 December 2011	4,968,762	4,230,462

The employee benefit expenses were recorded in the statement of comprehensive income for the years ended 31 December 2011 and 2010 as follow :

(Unit : Baht)

	CONSOLIDATED F/S		SEPARATE F/S	
	2011	2010	2011	2010
Current service cost	982,097	-	870,108	-
Interest cost	252,639	-	226,300	-

The Company recognises the employee benefits obligation since employees are entitled to receive benefits upon normal retirement age under the Thai labour law. The defined benefit obligation of the Company is measured by using the actuarial technique. The estimated amount is computed by the discounted cashflows for amounts to be paid in the future based on the government bond interest rate with term to maturity approximates the term of the related obligation. The estimated future cash outflows are based on employee wages, turnover rate, mortality, length of service and others. The employee benefits expenses were recognised in the statement of comprehensive income to allocate the expense through the hiring period. Actuarial gains or losses arising from changes in actuarial assumptions, when exceeding 10% of the present value of defined benefit, are recognised as income or expenses over the average remaining service lives of the related employees.

Subsidiary recognises the employee benefits obligation since employees are entitled to receive benefits upon normal retirement age under the Thai labour law. The estimate amount is computed by the subsidiary's management using Project Unit Credit Method in accordance with the actuarial technique. Subsidiary believes that only small number of employees will work to reach retirement age under its policy and amount of the obligation under the defined benefit plan will not significantly impact the overall financial statements. The employee benefits expense is recognised in the statement of comprehensive income to allocate the expense through the hiring period.

Principal actuarial assumptions are as follows :

	Pylon PLC.	Excelon Co., Ltd.
Discount rate	4.39 percent per annum	4.39 percent per annum
Future salary expense increment rate	5.32 percent per annum	4.94 percent per annum
Future wage expense increment rate	3.78 percent per annum	-
Normal retirement age	55 years	55 years
Number of employee	417 persons	21 persons

#### 19. LEGAL RESERVE

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

#### 20. INCOME TAX

(Unit : Baht)

	For the years ended 31 December			
	CONSOLIDATED F/S		SEPARATE F/S	
	2011	2010	2011	2010
Income before income tax	105,825,216	36,542,753	104,664,856	49,477,731
Add Transactions added back and deductible in accordance with the Revenue Code - net	2,350,317	3,156,023	2,350,317	3,156,023
Net loss (income) of subsidiary which included in consolidated F/S	(1,160,360)	12,934,978	-	-
Taxable income	107,015,173	52,633,754	107,015,173	52,633,754
Income tax (rate 20%)	-	10,526,751	-	10,526,751
Income tax (rate 25%)	12,500,000	-	12,500,000	-
Income tax (rate 30%)	17,104,552	-	17,104,552	-
Total income tax for the year	29,604,552	10,526,751	29,604,552	10,526,751
Income tax deducted at sources during the year	35,510,688	17,977,065	30,327,745	16,393,375

During the year 2011, the Company computes corporate income tax at the rates allowable for the listed company in "MAI" of the Stock Exchange of Thailand (SET) under the Royal Decree no. 531, B.E. 2554 regarding the income tax reduction for the year 31 December 2010. The Company has been listed in "MAI" in the Stock Exchange of Thailand before 31 December 2005, if therefore had privilege for tax rate reduction for 5 consecutive accounting periods from the year subsequent to the listing date which was expired in 2010.

Corporate income tax of subsidiary is computed at the rate of 30% of taxable income.

## 21. DIVIDEND PAYMENT

At the Annual General Shareholders' Meeting of 2011 held on 22 April 2011, the shareholders passed a resolution to pay cash dividends from the net profit for the year ended 31 December 2010 at the rate of Baht 0.08 per share, 200,000,000 shares, totalling Baht 16 million which was paid on 18 May 2011.

At the Annual General Shareholders' Meeting of 2010 held on 23 April 2010, the shareholders passed a resolution to pay dividend from retained earnings and the net profit for the year ended 31 December 2009 at the rate of Baht 0.125 per share, 200,000,000 shares, totalling Baht 25 million. The dividend was paid in May 2010.

## 22. EXPENSES BY NATURE

Significant expenses by nature are as follows :

(Unit : Baht)

	CONSOLIDATED F/S		SEPARATE F/S	
	2011	2010	2011	2010
Raw materials and consumable supplies used	453,924,511	333,726,506	386,406,431	321,219,970
Change in contracted construction work in progress	(17,093,958)	976,570	(9,335,626)	(229,489)
Salaries, wages and other employee benefits	119,856,332	96,630,846	104,402,016	85,583,158
Subcontractor expenses	94,330,169	31,659,681	88,758,709	29,848,743
Depreciation	31,956,910	30,244,140	31,294,898	30,076,292
Rental expenses	33,237,303	19,208,764	29,162,668	17,822,724
Repair and maintenance expenses	35,679,991	25,151,824	35,456,236	25,143,832
Transportation	17,001,877	11,845,823	15,696,347	11,569,273
Project management fee	1,464,185	2,136,333	6,103,382	6,208,419
Allowance for loss on construction project	2,075,224	-	-	-
Penalty - Project delay	7,042,450	-	5,537,214	-
Director remuneration	4,326,003	3,715,998	4,326,003	3,715,998
Other expenses	55,867,066	36,595,043	43,177,185	34,921,992
Total	839,668,063	591,891,528	740,985,463	565,880,912

## 23. OTHER INCOME

(Unit : Baht)

	CONSOLIDATED F/S		SEPARATE F/S	
	2011	2010	2011	2010
Interest income	1,721,145	752,040	2,106,844	682,275
Rental income for machinery and equipments	604,001	548,200	1,872,597	575,600

Management fee income	-	-	690,000	600,000
Revenue from sale of construction materials and scraps	203,863	111,083	409,770	216,781
Income from sale of fixed assets	112,925	704,194	64,952	704,194
Other service income	124,262	2,001,693	40,150	1,401,600
Others	332,946	252,411	1,368,194	606,017
Total	3,099,142	4,369,621	6,552,507	4,786,467

#### 24. SEGMENTAL FINANCIAL INFORMATION

The Company and subsidiary are engaged only in one segment of construction business. Details of core revenues for years ended 31 December 2011 and 2010 are as follows :

(Unit : Baht)

CONSOLIDATED FINANCIAL STATEMENTS								
For the years ended 31 December								
2011				2010				
Foundation work	Construction work	Eliminated	Total	Foundation work	Construction work	Eliminated	Total	
Revenues from services	717,478,908	283,284,968	(55,994,259)	944,769,617	536,965,192	97,099,242	(7,567,971)	626,496,463
Costs of services			(776,337,700)					(543,603,938)
Gross profit			168,431,917					82,892,525
Other income			3,099,142					4,369,621
Income before expenses			171,531,059					87,262,146
Selling expenses			(2,816,645)					(1,993,096)
Administrative expenses			(60,513,718)					(46,294,494)
Total expenses			(63,330,363)					(48,287,590)
Income before financial cost and income tax			108,200,696					38,974,556
Financial cost			(2,375,480)					(2,431,803)
Income before income tax			105,825,216					36,542,753
Income tax			(29,604,552)					(10,526,751)
Net income for the year			76,220,664					26,016,002
Other comprehensive income (loss) for the year			-					-
Total comprehensive income for the year			76,220,664					26,016,002
Trade accounts and notes receivable - net			37,254,189					92,924,020
Unbilled accrued income			150,692,895					91,585,956



Retentions receivable - net	57,281,639	46,121,148
Property, plant and equipments - net	196,439,562	180,923,555
Other assets	287,654,657	188,517,386
<b>Total Assets</b>	<b>729,322,942</b>	<b>600,072,065</b>

(Unit : Baht)

## SEPARATE FINANCIAL STATEMENTS

For the years ended 31 December

	2011			2010		
	Foundation work	Construction work	Total	Foundation work	Construction work	Total
Revenues from services	717,478,908	123,680,796	841,159,704	536,965,192	75,144,094	612,109,286
Costs of services			(686,128,050)			(523,452,796)
Gross profit			155,031,654			88,656,490
Other income			6,552,507			4,786,467
Income before expenses			161,584,161			93,442,957
Selling expenses			(2,468,079)			(1,893,331)
Administrative expenses			(52,389,334)			(40,534,785)
Total expenses			(54,857,413)			(42,428,116)
Income before financial cost and income tax			106,726,748			51,014,841
Financial cost			(2,061,892)			(1,537,110)
Income before income tax			104,664,856			49,477,731
Income tax			(29,604,552)			(10,526,751)
Net income for the year			75,060,304			38,950,980
Other comprehensive income (loss) for the year			-			-
Total comprehensive income for the year			75,060,304			38,950,980
Trade accounts and notes receivable - net			36,897,905			84,596,326
Unbilled accrued income			136,583,377			74,294,779
Retentions receivable - net			37,262,392			33,320,885
Property, plant and equipments - net			191,016,876			180,207,369
Other assets			296,716,312			186,695,298
<b>Total Assets</b>			<b>698,476,862</b>			<b>559,114,657</b>

## 25. DISCLOSURE OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities carried on the statement of financial position include cash and cash at banks, restricted deposits with banks, trade accounts and notes receivable, unbilled accrued income, trade

accounts and notes payable, liabilities under hire - purchase agreements, and long - term loans. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies in Note 4 to the financial statements.

#### Credit risk

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

#### Interest rate risk

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

#### Exchange risk

The Company does not have any exchange risk since all of its financial assets and liabilities have been executed in Baht.

#### Fair value of financial instruments

The fair value of financial instruments is the amount at which the instrument may be exchanged in a current transaction between willing parties. The following methods and assumptions are used to estimate a fair value of each class of the Company's financial instruments for which it is practical to estimate that value:

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

## 26. COMMITMENT

As at 31 December 2011, the Company has commitments as follow :

- 26.1 The Company has a lease and service agreement for its office for a period of 6 years commencing from 1 September 2010 to 31 May 2016. Under the term of the agreement, the Company has to pay the monthly rental of Baht 80,729.
- 26.2 The Company has letter of guarantees of approximately Baht 228.36 million issued by financial institutions on behalf of the Company and its subsidiary in respect of certain performance bonds required in the normal course of businesses.

## 27. APPROVAL OF FINANCIAL STATEMENTS

These financial statements have been approved by the Company's Board of directors on 24 February 2012.

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## References

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