

PART 3 DESCRIPTION OF THE ISSUER

1. GENERAL INFORMATION

1.1 General Information of the Company

Company Name	: Nam Ngum 2 Power Company Limited
Incorporation Date	: 21 May 2008
Type of Business	: Production and distribution of electricity from hydroelectric power.
Head Office	: 215 Lanexang Avenue, Ban Xieng Yuen, Chanthabouly District, Vientiane, Lao PDR.
Registered Capital	: 880,900,000 ordinary shares, at the par value of Baht 10 per share, fully paid-up, being the total registered and paid-up capital of Baht 8,809,000,000
Telephone Number	: (+856-21) 251-718
Facsimile Number	: (+856-21) 215-500
Use of Proceeds	: For the repayment or refinancing of its existing debt

1.2 Company Background

Nam Ngum 2 Power Company Limited (“NN2PC” or “Company” or “Issuer”) is a company registered in the Lao People’s Democratic Republic (“Lao PDR”) and is awarded the concession for the development of the Nam Ngum 2 Hydroelectric Power Project from the Government of the Lao PDR.

Nam Ngum 2 Hydroelectric Power Project (“NN2HPP”) has an installed capacity of 615 MW. NN2HPP achieved its Initial Operation Date (“IOD”) on March 26, 2011, and thereafter the Commercial Operation Date (“COD”) on January 1, 2013. The Company was established by the joint venture between SouthEast Asia Energy Limited (“SEAN”) holding 75 percent of the total share capital and EDL-Generation Public Company (“EDL-Gen”) holding 25 percent of the total share capital.

NN2HPP has an electricity supply target of 2,310 GWh per year. All the power generated is sold to Thailand via the Electricity Generating Authority of Thailand (“EGAT”) pursuant to the Power Purchase Agreement (“PPA”) for a period of 25 years from the COD, which would result in the benefits of both Thailand and Lao PDR.

1.3 Vision

To be a reliable and reputable company in the hydropower sector that offers sustainable benefits and growth via a competent system and a highly qualified team.

1.4 Mission

1. Prudent Operations & Maintenance
2. Continuous development in Southeast Asia

1.5 Key Milestones

Date	Major Development
14 September 2016	: The Company entered into long-term agreements with the lending financial institutions for refinancing of existing long-term loans and additional financing for improvement and construction of the Nabong Substation.
October 2013	: The Company reduced interest rate of Tranche A Facility from MLR to be MLR less a margin per annum.
1 January 2013	: Commercial Operation Date
April 2012	: The Company reduced interest rate of Tranche A Facility from MLR plus a margin to be MLR per annum.
26 March 2011	: Initial Operation Date

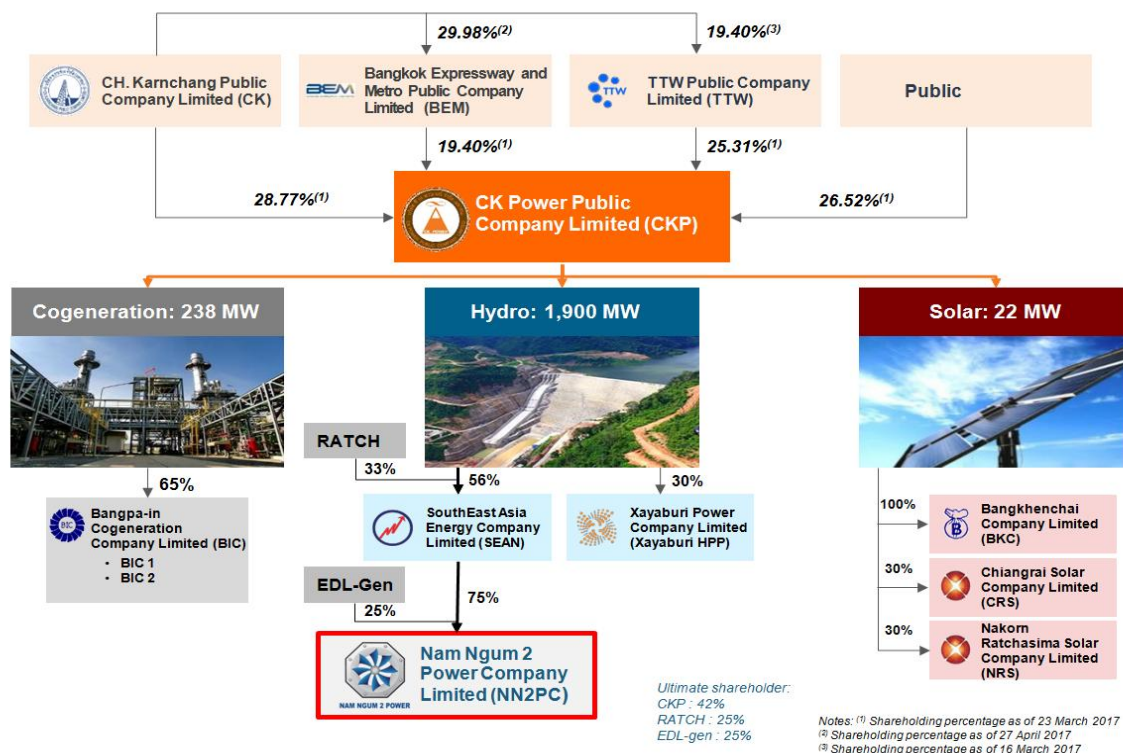
2. BUSINESS OPERATION

2.1 Company Profile

NN2HPP is located on the Nam Ngum River between Phou Xay and Phou Houat, Ban Houaymo, Muang Hom, Vientiane Capital, Lao PDR, 35 kilometers northeast and upstream of the existing Nam Ngum 1 Dam, and 90 kilometers from Vientiane, the capital city of Lao PDR.

Group Structure

NN2PC is a member of CK Power Public Company Limited, a listed company in Thailand. The following chart shows the ultimate shareholders of the Company.



Project Information of NN2PC

Summary of project information of NN2HPP is as follows:

Initial Operation Date (IOD)	: 26 March 2011
Commercial Operation Date (COD)	: 1 January 2013
Project Cost	: ~USD 1 billion
Concession Period	: 25 years from COD
Capacity	: 615 MW (3 turbines*205 MW)
Spillway Capacity (PMF)	: 8,263 m ³ /s
PWW Length	: 600 m.
Diameter	: 10.7 m.
Penstock Length	: 3 x 265 m.

Summary of important technical information of NN2HPP is as follows:

1. Reservoir

Reservoir Area	: 5,640 km ²
Yearly averaged discharge capacity	: 6,270 MCM
Full supply level	: 378.75 masl
Maximum flood level	: 375 masl
Reservoir area (full supply level)	: 122 km ²
Storage (full supply level)	: 6,774 MCM
Minimum operating level	: 345 masl
Storage (minimum operating level)	: 3,780 MCM
Active storage	: 2,994 MCM

2. Dam

Type	: Concrete face rockfill
Crest length	: 485 m
Crest level	: 381 masl
Height from foundation	: 181 m
Width of concrete face	: 0.30 – 0.90 m

3. Headrace Tunnel

Type	: Concrete-lined divided into three tunnels
Diameter	: 11.7 m
Length of the first tunnel	: 1,141 m
Length of the second tunnel	: 1,263 m
Height (above the penstock)	: 209.1 masl

4. Tailrace Canal

Amount	: 3 units
Diameter	: 5.35 m
Length	: 212 m

The PPA determines the Annual Supply Target of 2,310 GWh (million units) to be purchased by EGAT, which is divided into:

(a) Primary Energy (“PE”): 2,218 GWh per year, with the production capacity not exceeding 16 hours per day, the payments for which will be made partially in Thai Baht and partially in USD according to the tariff designated by the PPA.

(b) Secondary Energy (“SE”): 92 GWh per year. This refers to the electrical energy generated only during August, September and October each year, all payments for which will be made in Thai Baht.

(c) Excess Energy (“EE”) is the excess electricity generated when NN2PC’s volume of water exceeds the forecasted amount, thereby, in such month, generating electricity in excess of the target designated in (a) and (b) as declared to EGAT in advance. The excess electricity will be considered the Excess Energy. All payments for which will be made in Thai Baht.

In addition, if NN2PC is able to generate electricity in excess of the designated target of PE or SE as determined in the Agreement, such Excess Energy may be accumulated in the Reserve Account, which may be utilized in the future in any year in which it cannot generate and sell electricity to EGAT to meet the target as specified in the PPA. The Excess Energy accumulated in the Reserve Account in form of electricity credit can be retained for up to 10 years and will be settled three times in 2022, 2032, and at the end of the CA.

Company’s Business Strategy

1. Continuous development of Human Resources and improvement of the management system
2. Strict adherence to Good Corporate Governance
3. Uphold the Corporate Responsibility to both society and environment

2.2 Revenue Structure

The following table sets forth a revenue structure of our business for the periods indicated.

(Unit: Million Baht)

Business Segment	For the Year Ended 31 December 2017		For the Year Ended 31 December 2016		For the Year Ended 31 December 2015	
	Amount	%	Amount	%	Amount	%
Revenue from sale of electricity	3,318.3	99.7%	3,814.9	99.5%	3,883.2	98.4%
Gain on exchange	-	0.0%	-	0.0%	42.0	1.1%
Other income	9.1	0.3%	18.2	0.5%	19.4	0.5%
Total	3,327.4	100.0%	3,833.1	100.0%	3,944.6	100.0%

Tariff Structure

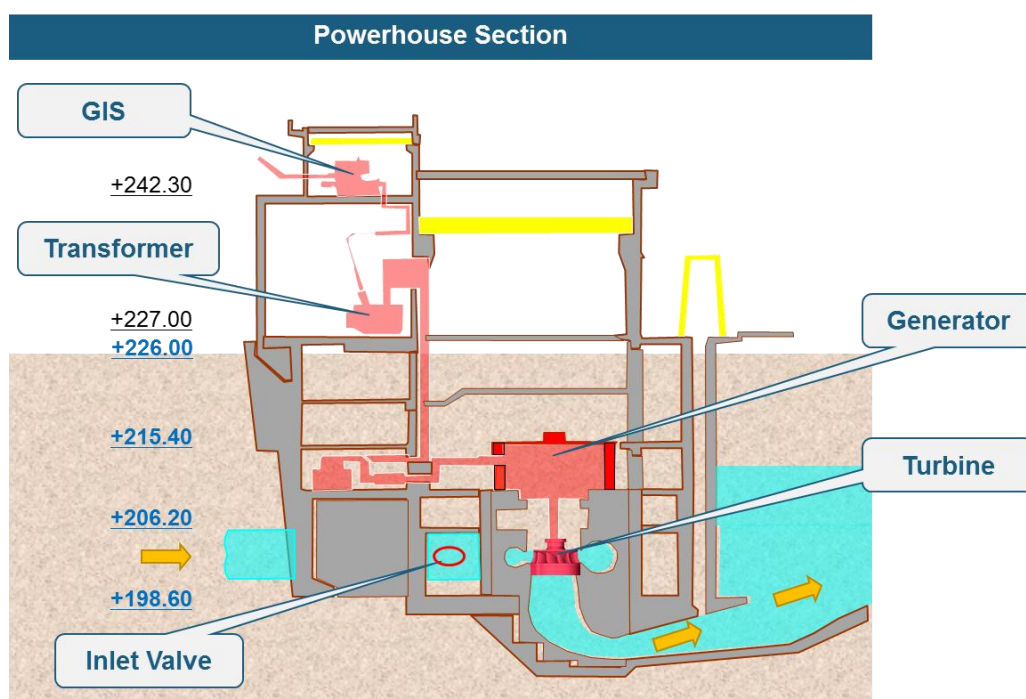
Year	PE Tariff			SE Tariff	EE Tariff
	50% in USD/kWh	50% in THB/kWh	THB equi. /kWh*	THB/kWh	THB/kWh
2011 – 2012	0.02475	0.9630	1.8045	1.2530	1.0600
2013 – 2018	0.02475	0.9650	1.8065	1.2550	1.0620
2019 Thereafter	0.02668	1.0410	1.9481	1.3530	1.1450

*Assume exchange rate of Baht 34 per USD

2.3 Production Process

The NN2HPP is a storage dam, which impounds water in a reservoir for power generation. The dam was constructed with the water storage level higher than the powerhouse to establish different levels of water to generate high pressure when water is released. The volume of water released from the reservoir down through tunnels towards the powerhouse is controlled to be at the desired quantity. The immense pressure of water in the tunnels will drive the turbine to spin at high velocity. The spinning turbine will then drive the generator, connected to the turbine through shaft, to spin and produce electricity.

The powerhouse of the NN2HPP comprises three vertical Francis Turbines, a reaction turbine type suitable for hydropower plants with moderate water level such as the NN2HPP. The generators comprise three synchronous generators with a capacity of 205 MW each, thereby bringing the total capacity to 615 MW.



The NN2HPP relies solely on the water in the Nam Ngum River, which originates from the Xiangkhouang Plateau, with a total length of approximately 354 kilometers. NN2HPP's reservoir covers approximately 107 square kilometers, with the full water capacity of 4,886 million cubic meters at full supply level of 375 meters above Mean Sea Level ("masl").

Despite the fact that the water supply has no cost for power generation as it is derived from natural sources, hydropower generation is subject to some limitations due to the uncertain and unpredictable volume of water from time to time depending on weather conditions and seasons. According to the feasibility study of Nam Ngum 2 Hydroelectric Power Project, which takes into account the 50-year rainfall database (during 1954 - 2003), the amount of storm water in the Nam Ngum River is sufficient to feed the dam and for

storage for power generation to meet the supply target under the Power Purchase Agreement with EGAT in the respective years.

The volume of water in the NN2HPP in 2015 to 2017 was as follows:

	2017		2016		2015	
	Height* (masl)	Water Volume (cubic meters)	Height* (masl)	Water Volume (cubic meters)	Height* (masl)	Water Volume (cubic meters)
January	370.9	4,454.8	369.4	4,309.8	379.9	4,772.0
February	368.7	4,234.3	370.1	4,376.9	371.9	4,560.2
March	361.7	3,576.2	366.1	3,987.5	367.7	4,140.0
April	356.4	3,124.2	360.3	3,452.0	359.6	3,390.1
May	351.1	2,703.1	354.7	2,918.0	350.7	2,669.5
June	345.5	2,301.0	349.9	2,610.3	344.8	2,258.4
July	356.1	3,093.6	351.8	2,753.0	352.8	2,829.8
August	362.7	3,668.4	361.6	3,586.2	365.3	3,906.7
September	363.0	3,695.6	366.9	4,057.5	371.8	4,554.1
October	363.1	3,703.9	367.5	4,118.6	373.6	4,735.2
November	363.2	3,709.4	369.4	4,310.8	371.8	4,553.1
December	364.1	3,794.2	371.1	4,481.3	371.5	4,617.2

* Height as at the end of each month

2.4 Operation and Maintenance

The Company manages reservoir's water level and electricity generation by using an operating rule curve, which acts as an operating guideline for NN2PC to operate more efficiently and generate more electricity. Moreover, the operating rule curve is used to predict probability of various weather and water volume scenario for further improvement of reservoir management and electricity generation in the future periods.

The Company has an Operation and Maintenance Agreement with EGAT to operate and maintain its dam and powerhouse camp facilities. Additionally, the Company has an Operation and Maintenance Agreement with Electricite Du Laos ("EDL"), the state enterprise of Lao PDR to operate and maintain its transmission line.

The maintenance of the Company's production facilities is a critical aspect of the Company's business. Proper maintenance allows the Company to operate more efficiently and generate more electricity. The Company manages the maintenance of its power plant to minimize disruption to its electricity generation. This includes coordinating the maintenance outages with the requirements of EGAT as well as planning and scheduling the maintenance to achieve maximum efficiency and minimize the time that the Company's facilities are not in operation.

The Company's PPA provides allowances for scheduled maintenance outages and the Company works to ensure that it falls within these parameters. Through the Operation and Maintenance Agreement with EGAT and EDL, the Company maintains highly experienced

technicians and engineers at its hydropower plant to provide day-to-day operation and maintenance services. The Company typically maintains key components and spare parts in order to handle any outage situation. The Company's regular maintenance program focuses on ensuring that all relevant performance targets are met. These services include the following:

2.4.1 Daily, monthly and yearly maintenance of the following machines by employees in operation & maintenance department:

- Generator;
- Governor;
- Inlet Valve;
- Cooling water system;
- Excitation system;
- Main transformer;
- Station Service Transformers;
- 15kV Bus Duct;
- Generator Circuit Breaker;
- 22kV switch gear;
- 400V AC system;
- DC&UPS system;
- Gas insulation switch gear;
- Spillway gate control cubicle;
- Line protection system;
- Communication system;
- Control & Protection system;
- Intake gate control cubicle;
- HVAC system;
- Diesel engine generator;
- Motor for water pump cubicle control;
- Spillway galleries;
- Generator protection system;
- Crane control system;
- Low voltage switch gear;
- Low pressure system;
- Drainage & Dewatering system;
- Fire Fighting system;
- Transmission line system.

2.4.2 Daily, monthly and yearly maintenance of the machines and plant by civil & service department as follows:

- Plant maintenance
 - Maintain penstock to machines;
 - Maintain audit tunnel;
 - Inspect and record sedimentation;
 - Inspect and record deflection;
 - Inspect water leakage;
 - Maintain log boom;
 - Dam and Instrument record;
 - Reservoir patrol.
- Residence and road maintenance
 - Repair and maintain employees and workers' dwelling;
 - Repair and maintain offices, machinery houses, security shelters and houses, main housing club;
- Repair and maintain access road to each employees and workers' residence

In addition, the Company has arranged for regular maintenance and inspection plan, which comprises (1) Annual Inspection, (2) Check-up, conducted every 2 years, (3) Partial Overhaul, conducted every 6 years, and (4) Major Overhaul, conducted every 12 years, emphasizing inspection of the main equipment including electrical equipment and relay equipment (i.e. generators, turbines, guide vanes, transformers, switch yard equipment, etc.). These inspections also include repairing and replacing such equipment, as the case may be. Moreover, the Company uses manufacturer services for station service equipment to support main equipment such as crane, low pressure system, elevator, HVAC system, etc.

2.5 Insurance

The Company procures and maintains policies of insurance on reasonable commercial terms and under prudent utility practices with reputed insurers throughout the concession period.

With respect to the operating phase insurances, the Company's insurances must at least cover:

2.5.1 "All Risks (including Machinery Breakdown)" insurance;

2.5.2 "Business Interruption" insurance following All Risks (including Machinery Breakdown), as necessary and beneficial to the Company;

- 2.5.3 “Public Liability” insurance;
- 2.5.4 “Workmen’s Compensation” insurance; and
- 2.5.5 “Employer’s Liability” insurance.

With respect to the construction phase insurances, the Company’s insurances must at least cover:

- 2.5.6 “Marine Cargo/Transit” insurance;
- 2.5.7 “Construction All Risks” insurance;
- 2.5.8 “Public Liability” insurance; and
- 2.5.9 “Delay in Start-Up” following Marine Cargo and Construction All Risks, as necessary and beneficial to the Company.

The Company believes that it has maintained adequate insurances to protect the Company against the most likely events. However, there can be no assurance that a severe event impacting one or more of the Company’s assets will be adequately covered by insurance.

2.6 Environmental and Social Policies and Commitments

NN2PC is determined to engage in hydroelectric power generation with minimization of environmental, community, and social impacts following the Company’s mission to be responsible to environment, community and all stakeholders.

Over the past 6 years of operation of the Nam Ngum 2 Hydroelectric Power Project, NN2PC has successfully implemented the Environmental Management Plan (“EMP”) and Resettlement Action Plan (“RAP”) for the project during the operation phase. NN2PC’s commitment to act responsibly and ethically to communities in which its project operates is exemplified by successful resettlement initiatives for those affected by the dam construction.

Since 2010, NN2PC, together with TEAM Consulting Engineering and Management Co., Ltd., Thailand in association with TEAM Lao Co., Ltd., Lao PDR, has managed the EMP and RAP implementations following the policies and commitments to improve Project-Affected People (“PAP”)’s livelihood, communities, and environment as follows:

- **Better Living Conditions:** NN2PC is responsible for building new homes for families that have been relocated or resettled. There are several types of houses to meet the needs of different size of families. Each is equipped with electricity and running water, a vegetable garden and a farming area. This helps ensure that families can transition to a life that is rewarding and

sustainable. Infrastructure such as roads, irrigation systems and electricity lines also help make life more comfortable for the relocated and resettled villagers.

- **Better Livelihood:** Skills training is made available to villagers, with the goal of bringing each family's annual income to USD 1,800 per year by 2020. Villagers can choose from vocational training in farming, handicraft making, beauty treatments, automotive and motorcycle repair and many others. This training helps villagers to both provide services to their neighbors and build a sustainable future for their families.
- **Better Education:** Elementary and secondary schools were built for the communities, making education accessible for all children of the communities.
- **Better Health:** Medical facilities staffed by professional doctors, nurses and pharmacists were constructed, providing quality and affordable health care to all villagers.
- **Better Environment:** Implementation related to the environment are:

Surface water quality monitoring: The water quality monitoring has been conducted every three months since December 2010 at upstream reservoir, and upstream and downstream areas near Dam Axis. The monitoring data aims at observing the water quality discharged from the Nam Ngum 2 reservoir throughout the year, assessing the effect of any change in water quality, and recommending any necessary measures to mitigate the impacts in the future.

Air and noise pollution monitoring: NN2PC has engaged Environmental Department of EGAT to bring equipment from Thailand to perform air quality and noise level checking every year.

Solid waste management: Monitoring and training were carried out for cleaning the host village and surrounding village area to ensure that wastes are properly collected and transported to the disposal site. In the power plant area, waste management is performed according to the ISO 9001 procedure.

Watershed management: Implementation of the watershed management was conducted in operation phase with the activities of watershed including patrolling survey and monitoring, creating public awareness on environmental issues and participating in forestry reservation activities.

2.7 Human Resources

Since the Incorporation Date, the Company's business has not been interrupted by any work stoppage or strike. The Company considers the relationship with its employees to be good.

The employees are one of the most strategic and valuable assets of the Company, and are the foundation of its success and growth. The Company's philosophy in human resources management aims to create work environment where its people can grow their careers,

develop themselves, and perform at their best. This effective human resource management and development has helped the Company maintain highly skilled technicians and engineers, who are considered to be among the most experienced people in hydropower industry in Southeast Asian region. This is the Company's strategic advantage, which will help ensure its future growth and strong positioning in the power generation industry as well as creating the opportunity for the Company to expand into other related businesses.

In addition to technical competencies, the Company also aims to develop business competency to enhance its employees' knowledge of capital markets in order to understand the Company's impacts on the securities markets. Integrity and ethics are reinforced as part of the Company's core values to ensure commitment and responsibility to shareholders. The Company intends to create a performance based culture through its performance management system which assesses performance results and competencies as well as identify areas for development of employees. Rewards and recognitions are provided according to employees' performance. Training needs are defined based on competency assessment and area for development. Human resources development and manpower planning are also in place to support business direction.

3. RISKS FACTORS

The Company realizes the significance of risk management from the perspective of electricity production and distribution business. The Company maintains a working group, comprising executives from every line of work of the Company to prepare an annual risk management plan and to assess and monitor various risks. In each quarter, the results of risk assessment are reported to the Board of Directors to inform them of the ongoing changes in circumstances which might affect the Company.

The significant risks and guidelines for risk management may be summarized as follows:

3.1 Operational Risks

3.1.1 Risk in respect of raw materials in electricity production

Raw materials are key factors contributing to the capacity of the electricity production, which will affect the ability of a power plant to generate revenue. In regard to hydroelectric power plant, raw material in its electricity production is water, which is procured at no cost. Nevertheless, the amounts could fluctuate.

The significant source of water in the Nam Ngum River is derived from the storm water catchment area, the amount of which is subject to certain limitations from the uncertain and unpredictable amount of rain and storm water. The risk relating to acquisition of water for production has been efficiently managed through appropriate design of the dam and reservoir structures, and negotiations on various terms in the Power Purchase Agreement (“PPA”) to fairly cover such risk, including an agreement on tariff structure and power purchase guidelines for fair water risk management for both contractual parties. For example, in the event that the Primary Energy (“PE”) produced by NN2PC is lower than the average of 8 hours per day in any month or lower than the average of 10 hours per day in any year, NN2PC must pay a fine to the EGAT at the rate of 23.7 percent of PE charge multiplied by the shortfall. However, in the hydroelectric power project design and prior to execution of the PPA with EGAT, NN2PC studied the statistics of actual amount of water in the Nam Ngum River over the previous 50 years to identify the potential capacity for electricity production. Therefore, the Company is confident that it would be able to comply with the terms in the PPA. In the event that the amount of water decreases to the extent that the electricity produced by NN2PC is less than the requirement under the PPA, it may consider declaring such year as a drought year. According to the PPA, a drought year may be declared twice throughout the entire period of the Agreement, whereby no fine due to electricity production shortfall will be imposed.

Furthermore, in any year, if the amount of water flowing into the project increases to the extent that the project produces electricity in excess of the target of 2,218 GWh (million units) for PE and 92 million units for the Secondary Energy (“SE”), NN2PC may carry forward the Excess Energy to be recognized as revenue for the subsequent years in which the amount of water is insufficient to produce electricity

to meet the target, and as such, its revenue stream has been relatively steady despite the fluctuation in the amount of water. No fine will be imposed for failure to produce electricity to meet the annual supply target. According to the actual records in 2017, the amount of water flowing into the project was relatively low, causing a shortfall of PE of 388.93 million units of electricity compared to the PE target, and a shortfall of SE of 67.44 million units of electricity compared to the SE target. The aforesaid shortfalls of electricity will be carried forward for the declaration of plant's availability in the following years, subject to the appropriate amount of water flowing into the project. The mechanism of such reserve energy could minimize risks relating to revenue fluctuations between a wet year and a dry year.

Over the past few years, the monsoon season appeared to be delayed due to the effect of El Nino, which has affected the Company's electricity production. The Company closely monitors the pattern of changing seasons and coordinates with TEAM Consulting Engineering and Management Co., Ltd., as the water management expert, in order to further plan for proper electricity production.

3.1.2 Risk in respect of availability of power plants

Risk from the unavailability of equipment of power plant other than the shortage of raw materials may occur for many reasons, thereby impairing the efficiency of the electricity production or interrupting the production process, which may cause damage to power plant, danger to personnel, reduction in revenue, and increase in repair cost of defective equipment. Any interruption of the electricity production for any reason other than normal maintenance, without prior notice to EGAT, the power purchaser, may be subject to a fine.

The management of a hydroelectric power project requires personnel with considerable experience and expertise given the high value of investment in the hydroelectric power project. Apart from the control of machinery and equipment in the electricity production to meet the quality and electricity security, the amount of water in the reservoir must be managed to ensure its adequacy for electricity production for distribution in the quantity, quality and stability as specified in the PPA with EGAT. Any water mismanagement or malfunction of the electricity production, including equipment, may result in damage to the dam, generators and related equipment and also have an impact on revenue and results of operations of the project.

NN2PC has personnel who are highly experienced and capable hydropower plant project managers. Moreover, NN2PC engages EGAT to provide services under the Operation and Maintenance Agreement including major maintenance services. NN2PC benefits greatly through this Operation and Maintenance Agreement with EGAT, since EGAT is one of a few organizations in Thailand having personnel with long-term experience and expertise in management of hydroelectric power projects and is also the sole power purchaser under the PPA of NN2PC. With respect to the preventive maintenance plans, NN2PC implements partial overhaul and major overhaul plans every six years and twelve years, respectively. Moreover, an independent

consultant is also engaged to measure the efficiency and stability in various aspects of the hydroelectric power plant, whereby the Company regularly follows up on relevant reports to enhance the availability of the power plant. In addition, the Company continues to look for third-party experts to provide knowledge sharing and staff training services to the Company to enhance its ability in the hydroelectric power project management. The Company believes that such policy is necessary for managing operational risk.

3.1.3 Risk from natural disaster

The Company manages such risk from natural disaster by selecting the location it deemed to have the lowest risk of being affected by natural disasters to establish the project and by designing the project to accommodate and withstand potential natural disasters. The Nam Ngum 2 Hydroelectric Power Project is located in an area where the highest magnitude of an earthquake in recorded history did not exceed 5.8 on the Richter scale. The Nam Ngum 2 Dam has also been designed to accommodate an earthquake up to 8 on the Richter scale. The dam uses spillway as the overflow prevention system. The spillway has three gates, each with 15 meters in width and 16.7 meters in height. The spillway is capable of draining water up to 6,756 cubic meters per second.

In addition, the Company has taken out insurance to cover potential damages. The insurance policies include property damage insurance, business interruption insurance, and public liability insurance.

3.1.4 Risk in respect of Concession Agreement

According to the Concession Agreement, the concession period in relation to generation assets is 25 years from the COD. Thus, the Company's main source of revenues, which is the sales of electricity to EGAT under the PPA, is subject to such contractual limitation. After such period, the Company is required to transfer the relevant generation assets to the GOL according to the CA.

Currently, the concession period of the CA between the GOL and the Company will last until 2038 and the Company has the right to a contract period extension under terms and conditions as may then be agreed by the GOL and the Company.

3.1.5 Risk in respect of Power Purchase Agreement

The Company could potentially face fines in a situation where it could not fulfill conditions stipulated in the PPA. Such conditions include, but not limited to, the Company's ability to deliver a certain amount of electricity to EGAT under the minimum requirement of the PPA. However, under the PPA, there are mechanisms which help the Company manage its electricity production and fulfill its obligation under the PPA.

The PPA determines the Annual Supply Target of 2,310 GWh (million units) to be purchased by EGAT, which is divided into:

(a) Primary Energy (“PE”): 2,218 GWh per year, with the production capacity not exceeding 16 hours per day, the payments for which will be made partially in Thai Baht and partially in USD according to the tariff designated by the PPA.

(b) Secondary Energy (“SE”): 92 GWh per year. This refers to the electrical energy generated only during August, September and October each year, all payments for which will be made in Thai Baht.

(c) Excess Energy (“EE”) is the excess electricity generated when NN2PC’s volume of water exceeds the forecasted amount, thereby, in such month, generating electricity in excess of the target designated in (a) and (b) as declared to EGAT in advance. The excess electricity will be considered the Excess Energy. All payments for which will be made in Thai Baht.

The Company may choose to accumulate such Excess Energy in the Reserve Account, which may be utilized in the future in any year in which it cannot generate and sell electricity to EGAT to meet the target as specified in the PPA. The Excess Energy accumulated in the Reserve Account in form of electricity credit can be retained for up to 10 years and will be settled three times in 2022, 2032, and at the end of the CA.

3.2 Financial Risks

3.2.1 Risk in respect of financial liquidity

As for the liquidity management, the Company maintains the cash flow projections and regularly updates the data, as well as manages the loan agreements and closely coordinates with the lending banks, in order to minimize risks of breaching the conditions of the loan agreements. Moreover, the Company has a policy to manage the excess cash by investing in bank deposits and highly liquid short-term investments with reliable financial institutions, arranges for credit availability and maintains the relationships with commercial banks when fund is needed.

3.2.2 Risk from exchange rate fluctuations

The Company is at risk of its financial statements’ being affected by the fluctuating revenue and expenses due to changes in exchange rate between USD and Baht. This is because, according to the PPA with EGAT, a certain portion of the tariff is denominated in USD. In 2017, 2016 and 2015, the Company derived USD revenue in the amount of USD 45.27 Million, USD 50.28 Million and USD 53.27 Million, respectively. Furthermore, the Company entered into the long-term USD loan

agreement in the amount of USD 134 Million to partially finance the construction of the Nam Ngum 2 Hydroelectric Power Project, with the principal repayment in installments until full repayment in 2030.

In 2015-2017, the Company's USD revenue, expenses and principal repayment of the long-term loans were as follows:

(Unit: USD Million)	2017	2016	2015
Revenue	45.27	50.28	53.27
- Revenue from sales of electricity	45.27	50.28	53.27
Expenditure	12.58	14.75	18.59
- Principal repayment	5.11	8.35	12.60
- Interest expense	5.92	4.69	4.18
- Royalty fee	1.55	1.71	1.81
Net	32.69	35.53	34.68

By the nature of business operation, which derives certain portion of revenue in USD and at the same time incurs certain portion of expenses in USD, the exchange rate risk has been managed by way of natural hedge.

Since July 2013, the Company started applying hedge accounting in order to hedge the foreign exchange exposure on a certain portion of its forecasted revenue from sales of electricity in USD currency, whereby such revenue from sales of electricity was designated as the hedged item and the long-term loans in USD were designated as the hedging instrument. Based on the cash flow hedge accounting principles, the fluctuation of gain and loss on exchange rate could be minimized, whereby the effective portion of the change in the fair value of the cash flow hedging instrument is recognized in other comprehensive income, instead of profit and loss, and then transferred to profit or loss only at the time when and for the portion where the hedging item affects profit or loss (i.e. when the repayment of USD loans occurs).

3.2.3 Risk from interest rate fluctuations

Based on the Company's long-term loans, all of which were subject to floating interest rate, any material changes in the interest rate will have an impact on finance cost of the Company. However, the Company manages such risk from interest rate by regularly monitoring of the tendency of changes in interest rate, continuously managing and improving finance cost, and considering potential for arrangements of hedging instruments by changing from floating interest rate to fixed interest rate as appropriate to market conditions, without any purpose of speculation.

3.3 Risks related to investment in the Company's Debentures

3.3.1 Risk in respect of the right to receive payments on the Debentures that is effectively junior to existing and future secured debt of the Issuer

On the issue date of the Debentures, the Issuer will apply the proceeds received from the Debentures towards the partial prepayment of its existing secured debt. Since the holders of the Debentures will not share the security and collateral granted to secure the secured debt of the Issuer, the rights of holders of the Debentures will effectively rank junior to the rights of holders of secured debt of the Issuer to the extent of the value of the assets securing such secured debt.

Because the Debentures will be unsecured obligations, your right of payment may be compromised if any of the following occurs:

- The Company enters into bankruptcy, liquidation, reorganization, suspension of payments or other winding-up proceedings;
- There is a default in payment under any of the Company's secured debt; and
- There is an acceleration of any of the Company's secured debt.

If any of these events occurs, the secured creditors could sell the Company's assets to your exclusion, even if an Event of Default exists under the Debentures at such time. As a result, upon the occurrence of any of these events, the Company cannot assure you that there will be sufficient funds to pay amounts due on the Debentures.

3.3.2 Risk in respect of limited enforceability of rights under the Debentures against the Issuer in the Lao PDR

The Issuer is a limited company incorporated under the laws of Lao PDR. Substantially all of the Issuer's assets are located in the Lao PDR. As a result, it may not be possible for the Debentureholders to effect service of process outside the Lao PDR, or to enforce against them or the Company outside the Lao PDR judgments obtained in foreign courts. Enforceability of foreign court judgements in the Lao PDR will be subject to conditions and/or restrictions set out below.

As for the enforceability of foreign court judgments or foreign arbitral awards (collectively "Foreign Judgments") in the Lao PDR, the Lao PDR is a party to one multilateral treaty and two bilateral treaties providing for reciprocal recognition and enforcement of foreign judgments: the New York Convention and bilateral treaties separately with Vietnam and China on the recognition and enforcement of foreign judgments. Accordingly, Foreign Judgments from foreign tribunal may not be enforceable in the Lao PDR in the absence of reciprocity under bilateral or multilateral treaties from the jurisdiction of the foreign tribunal in question. Pursuant to the Law on Civil Procedures (Amended) No. 13/NA dated 4 July 2012, Lao PDR acknowledges and executes the decisions of foreign court through its embassy, or the consular or

representative offices of the Lao PDR in such foreign country. In order to be recognized by Lao PDR's courts, a Foreign Judgment is subject to:

- be translated into Lao language;
- be from a country which is a signatory to a treaty to which the Lao PDR is also a signatory or party;
- not impact adversely on the sovereignty of the Lao PDR or not contradict with Lao PDR's laws; and
- not affect security and social order.

Moreover, Lao PDR courts may decide not to recognize a Foreign Judgment if:

- such judgment is subject to continuing proceedings or appeals and is not a final decision;
- the losing party in the foreign judgment did not participate in the proceeding and the judgment was made in default;
- the matter considered by the foreign court should have been considered under the jurisdiction of the Lao PDR courts;
- such judgement conflicts with the Constitution or Lao PDR laws; and
- other non-specified issues relating to the foreign judgment are brought to the attention of the Lao PDR courts.

3.3.3 Enforcing Debentureholders' rights under the Debentures across multiple jurisdictions may be difficult.

The Debentures will be issued by the Issuer which is incorporated under the law of the Lao PDR. The Debentures and the Debentureholders' Representative Appointment Agreement will be governed by Thai law. In the event of a bankruptcy, insolvency or similar event, different proceedings could be initiated in the Lao PDR or Thailand. Such multi-jurisdictional proceedings are likely to be complex and costly for creditors and otherwise may result in greater uncertainty and delay regarding the enforcement of the rights of Debentureholders. Debentureholders' rights under the Debentures will be subject to the insolvency and administrative laws of the Lao PDR and there can be no absolute assurance or there can be some difficulty that Debentureholders will be able to effectively enforce their rights in such complex multiple bankruptcy, insolvency or similar proceedings. Furthermore, the bankruptcy, insolvency, administrative and other laws of the Lao PDR and Thailand may be certain difference from, or possibly be in conflict with, each other and those with which Debentureholders may be familiar, including in the areas of rights of creditors, priority of governmental and other creditors, ability to obtain post-petition interest and duration of the proceedings. The application of these laws, or any certain conflict among them, could call into question whether the laws of any particular jurisdiction should apply, which may adversely affect Debentureholders and their ability or difficulty to enforce their rights under the Debentures in the relevant jurisdiction or limit any amounts that Debentureholders may receive.

3.3.4 Risk in respect of Lao Political, legal and regulatory factors

The Company is subject to political, legal and regulatory conditions in Lao PDR that differ in certain respects from those prevailing in other countries with more developed economies. The GOL's intervention in Lao PDR's economy can result in significant changes in economy policy and have a negative impact on the Company. The Company's future prospects may be adversely affected by changes in the GOL's policies involving electricity concession, exchange controls, tax policies and other matters. However, according to the CA between the GOL and the Company, the Company shall be entitled to compensation from the GOL in the case of any change in the Lao Law (a new law is generally not retroactive) having an adverse effect to the economic position of the Company.

3.3.5 Interest rate risks on an investment in the Debentures

Debentureholders may suffer unforeseen losses due to fluctuations in interest rates. Generally, a rise in interest rates may cause a fall in the price of the Debentures, resulting in a capital loss for the Debentureholders. However, the Debentureholders may reinvest the interest payments at higher prevailing interest rates. Conversely, when interest rates fall, the price of the Debentures may rise. The Debentureholders may receive a capital gain but interest payments received may be reinvested at lower prevailing interest rates.

3.3.6 Inflation risk on an investment in the Debentures

Debentureholders may suffer erosion on the return of their investments due to inflation. Debentureholders may have an anticipated rate of return based on expected inflation rates on the purchase of the Debentures. An unexpected increase in inflation could reduce the real rate of return to Debentureholders.

3.3.7 Amortized debentures

The Debentures are amortized debentures where the issue price of each unit is payable in installments. Failure to pay any subsequent installment on an amortized debenture could result in an investor losing all of its investment.

4. OPERATING ASSETS

4.1 Fixed Assets

As at December 31, 2017, the Company used the following fixed assets in the business operations with net book values as follows:

4.1.1 Assets of hydroelectric power project under concession agreement

Location	Net Book Value (Million Baht)	Ownership	Encumbrance
Lao PDR	22,167.29	Owner	To secure long-term loans from financial institutions

4.1.2 Property, plant and equipment

No.	Item	Location	Net Book Value (Million Baht)	Ownership	Encumbrance
1	Leasehold building improvements	No. 215 Lanexang Avenue, Ban Xieng Yuen, Chanthabouly District, Vientiane Province, Lao PDR	17.25	Owner	None
2	Furniture and office supplies	Lao PDR	47.69	Owner	None
3	Vehicles	Lao PDR	21.48	Owner	None
Total property, plant and equipment			86.42		

4.1.3 Long-Term Lease Agreements

The Company entered into the long-term lease agreements for utilization in the business operations, as follows:

Leaser	Agreement	Area	Term	Starting Date	Ending Date
State Property Management Department, Ministry of Finance, Lao PDR	Lease of office space	2,106 square meters	25 years	1-Jan-09	31-Dec-33



5. LEGAL DISPUTES

As at December 31, 2017, NN2PC was not a party in any case, had no legal dispute or case outside the ordinary course of business operations of the Company which may give rise to damage or negative material impact on the business operations regardless of whether it is assessable and translated into money.

6. CAPITAL STRUCTURE

6.1 Registered and Paid in Capital

As at December 31, 2017, the registered capital and paid-in capital were as follow:

Registered Capital: Baht 8,809,000,000 with 880,900,000 ordinary shares,
at the par value of 10 Baht
Paid-in Capital: Baht 8,809,000,000 with 880,900,000 ordinary shares,
at the par value of 10 Baht

6.2 Equity Structure

The Company's major shareholder is SouthEast Asia Energy Company Limited with shareholding of 75%.

No.	Name	Number of Shares	Shareholding Percentage
1	SouthEast Asia Energy Limited	660,675,000	75.0
2	EDL - Generation Public Company Limited	220,225,000	25.0
Total		880,900,000	100.0

6.3 Debentures / Bills of Exchange / Promissory Notes

6.3.1 Debentures

As of 31 December 2017, Company has the debentures with the outstanding of THB 6.0 billion as the following details

1. NNPC200A

Debenture Name	:	THE DEBENTURES OF NAM NGUM 2 POWER COMPANY LIMITED NO. 1/2017 TRANCHE 1 DUE 2020
Debenture Type	:	Unsecured and Unsubordinated Debentures
Number of Debentures Offered	:	1,000,000 (one million) units
Nominal Amount	:	Baht 1,000 (one thousand) per unit
Value of Debentures Offered	:	Baht 1,000,000,000 (one billion)
Issue Date	:	5 October 2017
Tenor	:	3 (Three) years
Maturity Date	:	5 October 2020
Interest Rate	:	2.59 (two point five nine) percent per annum
Registrar	:	Thailand Securities Depository Company Limited
Debentureholders' Representative	:	Bangkok Bank Public Company Limited
Paying Agent	:	Bank of Ayudhya Public Company Limited

2. NNPC24OA

Debenture Name	:	THE DEBENTURES OF NAM NGUM 2 POWER COMPANY LIMITED NO. 1/2017 TRANCHE 2 DUE 2024
Debenture Type	:	Unsecured and Unsubordinated Debentures
Number of Debentures Offered	:	1,400,000 (one million four hundred thousand) units
Nominal Amount	:	Baht 1,000 (one thousand) per unit
Value of Debentures Offered	:	Baht 1,400,000,000 (one thousand four hundred million)
Issue Date	:	5 October 2017
Tenor	:	7 (seven) years
Maturity Date	:	5 October 2024
Interest Rate	:	3.48 (three point four eight) percent per annum
Registrar	:	Thailand Securities Depository Company Limited
Debentureholders' Representative	:	Bangkok Bank Public Company Limited
Paying Agent	:	Bank of Ayudhya Public Company Limited

3. NNPC27OA

Debenture Name	:	THE AMORTIZED DEBENTURES OF NAM NGUM 2 POWER COMPANY LIMITED NO. 1/2017 TRANCHE 3 DUE 2027
Debenture Type	:	Unsecured, Unsubordinated and Amortized Debentures
Number of Debentures Offered	:	3,600,000 (three million six hundred thousand) units
Nominal Amount	:	Baht 1,000 (one thousand) per unit
Value of Debentures Offered	:	Baht 3,600,000,000 (three thousand six hundred million)
Issue Date	:	5 October 2017
Tenor	:	10 (ten) years
Maturity Date	:	5 October 2027
Interest Rate	:	3.69 (three point six nine) percent per annum
Registrar	:	Thailand Securities Depository Company Limited
Debentureholders' Representative	:	Bangkok Bank Public Company Limited
Paying Agent	:	Bank of Ayudhya Public Company Limited

6.3.2 Bills of Exchange

As of 31 December 2017, the Company did not have any outstanding bills of exchange.

6.4 Policy on Dividend Payment

NN2PC has a policy on dividend payment to shareholders at the rate of no less than 40 percent of the net profit after deduction of corporate income tax and legal reserve. In this

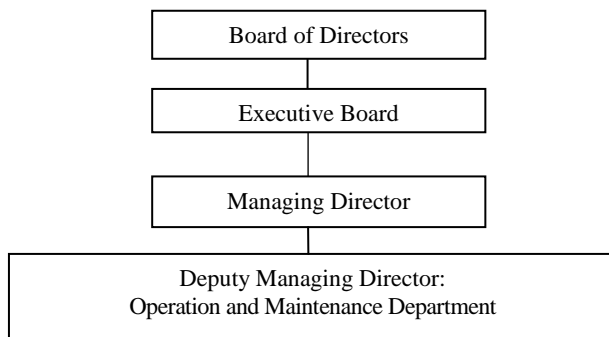
regard, the rate of such dividend payment may vary from the specified rate subject to the operational results, financial position, available liquidity, working capital requirement, and other relevant factors as the Board of Directors and/or NN2PC's shareholders may deem appropriate, as well as restrictions specified in the loan agreement. The conditions in the long-term loan agreement specify that NN2PC may make the dividend payment only after reserves have been made to fully meet the following requirements:

1. Operating Account: The Company must reserve funds for payment of the operating expenses for three months;
2. Accrual Account: The Company must reserve funds for payment of the principal and interest in the next installment;
3. Debt Service Reserve Account: The Company must reserve funds in the amount equivalent to the principal and interest in the next six months; and
4. Major Maintenance Account: The Company must reserve funds in the amount equivalent to the Capital Expenditure costs in accordance with the Major Maintenance requirement.

The remaining cash after the provision of reserve in the accounts above will be available for dividend payment, provided that the DSCR shall not be less than 1.10 times.

7. ORGANIZATION STRUCTURE

The Management Structure of Nam Ngum 2 Power Company Limited as at December 31, 2017 was as follows:



7.1 Board of Directors

7.1.1 The Structure of the Board of Directors

As at December 31, 2017, NN2PC's Board of Directors consisted of 13 directors, six of whom are executive directors. Detail of the Board of Director's meeting attendances is as follows:

Name	Position	Number of the Board of Directors' Meetings in 2017 ¹	Number of the Executive Board's Meetings in 2017 ¹
Dr. Virabongsa Ramangkura	Chairman of the Board of Directors	4/4	
Mr. Plew Trivisvavet ²	Chairman of the Executive Board	4/4	4/4
Mr. Supong Chayutsahakij ²	Director	4/4	
Mr. Narong Sangsuriya ²	Director	4/4	
	Executive Director		4/4
Mr. Prasert Marittanaporn ²	Director	4/4	
Mr. Thanawat Trivisvavet ²	Director	4/4	
	Executive Director		4/4
Mrs. Sunee Rajatamutha ³	Director	3/3	
Mr. Van Hoang Dau ²	Director	4/4	
	Executive Director		4/4
Mr. Milton William Shlapak	Director	3/4	
Mr. Bounleua SINXAYVOLAVONG	Director	0/4	
Mr. Bounsalong SOUTHIDARA	Director	4/4	
Mr. Somnuk Jindasup	Director	4/4	

Name	Position	Number of the Board of Directors' Meetings in 2017 ¹	Number of the Executive Board's Meetings in 2017 ¹
	Executive Director		4/4
Mr. Vorapote U.Choepaiboonvong	Director	4/4	
	Executive Director		4/4
	Managing Director		
Mr. Peerawat Pumthong	Director	1/1	

Remarks: ¹ Total Number of Meetings/Attendances

² Directors representing the Company in NN2PC in proportion to the Company's shareholding in NN2PC at 42 percent (indirect shareholding through SEAN in NN2PC).

³ The 2017 Annual Ordinary General Meeting of Shareholders held on March 15, 2017 approved to appoint Mrs. Sunee Rajatamutha to replace position instead of Mr. Peerawat Pumthong who resigned from directorship and effective on March 15, 2017.

7.1.2 Authorized Signatory Directors of NN2PC

NN2PC is a company incorporated in Lao PDR. NN2PC's criteria for authorized signatory directors are as follows:

- Two of the following four directors, namely, Mr. Plew Trivisvavet, Mr. Narong Sangsuriya, Mr. Thanawat Trivisvavet, Mr. Vorapote U.Choepaiboonvong, jointly sign and affix NN2PC's seal; or
- Either Mr. Plew Trivisvavet or Mr. Narong Sangsuriya or Mr. Thanawat Trivisvavet or Mr. Vorapote U.Choepaiboonvong, and another director, totaling two directors, jointly sign and affix NN2PC's seal.

7.1.3 Duties and Responsibilities of the Board of Directors

As the representatives of the shareholders and the Company, the Board of Directors has the duty to oversee the Company and is responsible for ensuring that all activities of the Company be in accordance with the resolutions of the meetings of the shareholders and the Board of Directors, the Articles of Association and relevant laws and regulations with honesty and duty of care for the Company's interests.

Duties and responsibilities of the Board of Directors are as follows:

- To set goals, directions, policies and business operation plans as well as budget of the Company, efficiently and effectively conduct the monitoring and supervision of the management and administration by the Company's management to ensure compliance with the specified policies, plans and budget as well as monitoring

and supervising the Company, to ensure compliance with applicable laws or regulation relating to the Company's business;

2. To consider, review, examine and approve the business expansion plan, large-scale investment projects, including any joint investment with other operators as proposed by the Management;
3. To arrange for a reliable system for accounting, financial reporting and auditing, as well as to maintain a document filing system which is capable of verification of accuracy, together with efficient and effective internal control, internal audit and risk management;
4. To prepare the financial statements at the end of the Company's accounting period to correctly present the financial position which must be realistic, complete and correct in accordance with generally accepted accounting standards to the general meeting for adoption within four months after the end of the fiscal year;
5. To consider and propose to appoint external auditors and fixing remuneration of such auditors in the meeting of the shareholders for their approval;
6. To consider and approve the replacement of Director, or pass the resolution to the general meeting of shareholders to approve the appointment of Director, as well as to determine Director's remunerations;
7. To consider and have the power to appoint Chairman of the Board of Directors, an Executive Committee and Managing Director and to determine the scope of power and duties as well as remuneration of the Executive Committee and Managing Director;
8. To convene the annual ordinary general meeting of shareholders at least once a year, and the extraordinary general meeting of shareholders whenever it deems appropriate or when required by law;
9. To convene the Board of Directors' meetings at least once every three months;
10. To consider and approve interim dividend payment which is justified by the profits of the Company;
11. To consider the following matters with the affirmative vote of at least seventy-five percent (75%) of the total number of directors attending the meeting in person or by proxy and entitled to vote which must include an affirmative vote form with at least one of the directors nominated by the majority shareholders of SouthEast Asia Energy Limited, unless none of such shareholders is entitled to vote due to a conflict of interest;
 - (1) any amendment of the Company's objectives, the Articles of Association or change of the Company name;

- (2) any amendment or termination of the agreements relating to the development of the Nam Ngum 2 hydroelectric power project;
- (3) investment in any new projects, acquiring assets or incurring any liability or creating any indebtedness in excess of a sum of Thai Baht 200,000,000 or its equivalent but not exceeding Thai Baht 400,000,000 or its equivalent in an aggregate;
- (4) establishing or closing down a Company's subsidiary, whether wholly or partially owned by the Company;
- (5) any merger, consolidation or other business combination of the Company;
- (6) dissolution, liquidation or winding up of the Company, unless provided for by law, or filing of a voluntary petition in bankruptcy on behalf of the Company;
- (7) approving the Company's annual budget and any amendment thereof;
- (8) creation of security over any asset of the Company;
- (9) initiation or settlement of any claim, litigation, arbitration or other judicial or administrative proceedings where the amount at issue exceeds the equivalent of Thai Baht 200,000,000;
- (10) approving the increased costs of a project, which exceeds the original cost budgeted for such project; and
- (11) approving the appointment or dismissal of the Managing Director and his/her remuneration.

The above matters (1), (5) and (6) also require special resolution of the general meeting of shareholders.

7.1.4 Remuneration of the Board of Directors

The Board of Directors shall receive only the monetary remuneration from the Office Director, which is approved by the general meeting of shareholders.

7.2 Management Structure

7.2.1 The NN2PC's Management Structure

NN2PC's management structure is as follows:

Name	Position
Mr. Vorapote U.Choepaiboonvong	- Managing Director
Mr. Tossaporn Thipvoratham	- Deputy Managing Director: Operation and Maintenance Department

Scope of powers, duties and responsibilities of the Managing Director:

1. To supervise and ensure proper operations in compliance with the Company's work rules, and to give final decision on any issues in question, and to seek the Board of Directors' approval for amendment of the work rules;
2. To have power to issue orders, set out criteria, procedures and work practices as appropriate;
3. To authorize other staff as substitute to perform works on his/her behalf, provided that the Managing Director shall remain responsible for all actions taken by such substitute;
4. To jointly set out policies, strategies and goals with the Board of Directors for compliance and management to ensure that the operational results achieve such goals;
5. To manage and administer works in all respects in accordance with the vision, missions, policies and strategies;
6. To take care of personnel in various divisions to ensure they can efficiently and effectively perform in line with plans, strategies and goals of each division, and to regularly facilitate personnel development;
7. To develop the organization to ensure its satisfactory operational results and performance, and to regularly and continuously improve its operations to ensure the organization's sustainable growth;
8. To follow up, inspect, supervise and report the Company's overall operational results to the Board of Directors quarterly;
9. To follow up, inspect, and supervise the operational results of the Company to ensure the good operational results in accordance with goals and report on such

results to the Board of Directors quarterly as well as seeking opportunities to improve performance;

10. To conduct studies on investment opportunities in new projects taking into account technical and financial feasibility in support of decision-making;
11. To supervise and monitor the business operations and/or day-to-day administration of the Company;
12. To proceed with or manage works in compliance with policies, action plans and budget as approved by the Board of Directors and/or the Executive Committee;
13. To determine policies, business plans, including business strategies, and annual budget of the Company for submission to the Executive Committee and seek approval thereof from the Board of Directors.

7.2.2 Personnel Management of the Company

The Management of the Company recognizes the importance of people development. It is also aware that the sustainable development and growth of the Company are driven by the competency, knowledge, capabilities and experiences of its personnel. Concurrently with the development of people, the development of ethics and sense of accountability towards the employee's own duties, colleagues and society is also emphasized. The Company sets out the personnel development policy in various key aspects as follows:

(1) Development of Competency

The Company encourages its staff to attend valuable training courses from external experts both locally and overseas, which will enhance staff's knowledge and skills in their work. For local training courses, the human resource departments will select and propose training courses to the Company's executives and welcome staff to propose any interesting training courses to the Company for consideration and support. The Company also allocates annual budget for staff's training courses according to their work positions. For overseas training courses, the respective departments can propose overseas courses as appropriate and necessary for their staff.

The Company considers attendances to the trainings for development of staff competency as one of the key performance indicators for each staff's annual performance evaluation. The Company is certain that it will be able to encourage staff to continuously participate in training and develop their capabilities and competency required to improve their work performance.

(2) Career Advancement Opportunity

The Company employs a performance evaluation system based on Key Performance Indicators (KPIs), which is used for staff performance evaluation of the Company with concrete results, including evaluation of staff's ability and work behavior. Such system is instrumental to the development of staff competency.

Moreover, the Company is a subsidiary of CK Power Public Company Limited (“CKP”), a listed company with multiple power plants in operation. The Company’s employees are encouraged to seek opportunities to advance their knowledge and capability through training courses and knowledge-sharing sessions organized within the CKP group as another channel to enhance their capability, confidence and career development.

(3) Succession Planning

The Company realizes the significance of continued operations for sustainable growth of the Company and for development of competent personnel to promptly succeed any resigned or retired staff. The Company has a policy to promote quality personnel within the organization for appointment as successor before external recruitment. The Company uses the performance evaluation mechanism based on KPIs to consider staff’s abilities and work behavior, as one of the factors for selection and promotion of personnel to executive positions, which will be incorporated in the succession plan.

(4) Work Safety

The Company develops its management system in accordance with the quality management system standard (ISO) so that its power plant meets international standards, and maintain a safe working environment as well as staff safety. The Nam Ngum 2 Hydroelectric Power Project has received the quality management system certifications, the ISO 9001:2008 standard certification, from AJA Registrars Ltd. The certificate has been granted to the operation and maintenance of the Nam Ngum 2 Hydroelectric Power Project under the scope of Electricity Generating and Distribute by Hydro Power Plant. The Nam Ngum 2 Hydroelectric Power Project is regarded as the Electricity Generating Authority of Thailand’s first overseas project that received the ISO 9001:2008 certification.

(5) Anti-corruption

The Company gives priority to anti-corruption in every step of its operating procedures by setting out its anti-corruption policy in the Corporate Governance Policy and the Control Policy and Governance Mechanisms, which consistent with the anti-corruption policy governing CK Power Public Company Limited, the listed company in the Stock Exchange of Thailand, who is a major shareholder of SouthEast Asia Energy Limited, which holds 75 percent of the Company. The example of the policy guidelines are guidelines for handling inside information and insider trading control, policy on execution of transactions with major shareholders, directors, executives and their connected persons, together with guidelines for consideration of execution of connected transactions, including requirements relating to business ethics and code of ethics, and a whistleblower guide when any corruption is found.

(6) Staff Benefits

The Company provides both permanent staff and employees with benefits as required by law and additional benefits as appropriate, monitors to ensure effective and fair consideration of criteria on staff benefits, and reviews to update staff benefits



according to changes in economic and social conditions as appropriate. The Company has no material labor dispute over the past years.

8 FINANCIAL DATA

The following tables set forth our selected financial information. The selected financial information as of, and for the years ended, December 31, 2017 and 2016 set forth below has been derived from our audited financial statements as of, and for the years ended, December 31, 2017 and 2016 and related notes included elsewhere in this prospectus. Our financial statements as of, and for the years ended, December 31, 2017 and 2016 have been audited by EY Office Limited., Public Accountants and Chartered Accountants, as stated in their reports included in this prospectus.

The selected financial information set forth below should be read in conjunction with the financial statements and related notes and historical financial information included elsewhere in this prospectus. Our audited financial statements as of, and for the years ended, December 31, 2017 and 2016 have been prepared in accordance with IFRS as issued by the International Accounting Standards Board.

Statement of Comprehensive Income

(Unit: Baht)

	For the Year ended December 31	
	2017	2016
Profit or Loss:		
Operating income		
Revenue from sales of electricity	3,318,335,739	3,814,924,797
Gain on exchange	-	-
Other income	9,089,170	18,216,353
Total operating income	3,327,424,909	3,833,141,150
Operating expenses		
Cost of sales of electricity	(1,562,391,561)	(1,659,871,381)
Administrative expenses	(221,482,777)	(642,831,930)
Loss on exchange	(122,253,000)	(45,373,571)
Total operating expenses	(1,906,127,338)	(2,348,076,882)
Profit before finance costs	1,421,297,571	1,485,064,268
Finance costs	(871,555,925)	(853,963,246)
Profit before income tax expense	549,741,646	631,101,022
Income tax expenses	(16,219,574)	(13,456,360)
Profit for the year	533,522,072	617,644,662
Other comprehensive income:		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>		
Cash flow hedges		
Reclassification during the year to profit or loss	51,575,481	48,811,700
Unrealized gain from cash flow hedges	417,463,885	25,125,356
Add (less): Income tax effect	(20,420,723)	23,052,325
Actuarial gain	2,301,692	-
Other comprehensive income for the year	450,920,335	96,989,451
Total comprehensive income for the year	984,442,407	714,634,113

Statement of Financial Position

(Unit: Baht)

	For the Year ended December 31	
	2017	2016
Assets		
Non-current assets		
Plant and equipment, net	22,253,713,674	23,293,851,589
Intangible assets	41,703,445	
Project costs during construction phase	2,550,885,019	1,038,312,624
Advance for project costs	-	100,268,889
Long-term restricted bank deposits	922,328,276	734,944,551
Deferred tax assets	2,631,602	23,052,325
Other non-current assets	3,000,449	3,000,450
Total non-current assets	25,774,262,465	25,193,430,428
Current assets		
Spare parts and supplies	12,086,516	37,791,878
Trade and other receivables	423,850,104	487,365,955
Other current assets	29,606,872	40,075,191
Cash at bank and on hand	1,037,514,469	1,165,970,217
Short-term restricted bank deposits	351,281,753	213,556,232
Total current assets	1,854,339,714	1,944,759,473
Total assets	27,628,602,179	27,138,189,901
Equity and liabilities		
Equity		
Issued capital	8,809,000,000	8,809,000,000
Retained earnings	1,480,996,219	2,002,252,455
Statutory reserve	88,090,000	88,090,000
Cash flow hedge reserve	(149,980,756)	(598,599,399)
Total equity	10,228,105,463	10,300,743,056
Non-current liabilities		
Long-term loans from financial institutions, net of current portion	9,797,349,931	15,754,750,273
Debentures, net of current portion	5,947,486,823	-
Provision for long-term employee benefits	1,153,470	3,205,367
Other long-term liabilities- related party	182,569,933	169,687,699
Total non-current liabilities	15,928,560,157	15,927,643,339
Current liabilities		
Trade and other payables	188,342,780	266,902,676
Current portion of long-term loans from financial institutions	1,229,021,190	635,731,930
Current portion of debentures	50,017,753	-
Retention payable	704,080	718,455
Income tax payable	2,455,748	4,798,292
Other current liabilities	1,395,008	1,652,153
Total current liabilities	1,471,936,559	909,803,506
Total liabilities	17,400,496,716	16,837,446,845
Total equity and liabilities	27,628,602,179	27,138,189,901

Statement of Cash Flows

(Unit: Baht)

	For the Year ended December 31	
	2017	2016
Cash flows from operating activities		
Profit from operating activities	549,741,646	631,101,022
Adjustment to reconcile profit to net cash flows:		
Depreciation	1,081,465,451	1,081,331,505
Amortization of interest rate reduction fee	2,099,598	7,750,138
Unrealized (gain) loss on exchange	35,502,890	19,909,961
Write-off project costs during construction phase	-	377,609,936
Loss on equipment write-off	52,229	10,865
Provision for long-term employee benefits	249,795	719,100
Interest expenses	865,176,327	837,008,804
Operating profit before working capital changes	2,534,287,936	2,955,441,331
(Increase)/decrease in:		
Trade and other receivables	62,724,080	442,402,802
Spare parts and supplies	(1,886,867)	(912,202)
Other current assets	37,668,317	11,145,818
Other non-current assets	-	10,230,407
Increase/(decrease) in:		
Trade and other payables	(27,365,990)	(211,590,916)
Retention payable	(14,375)	711,255
Other current liabilities	(257,145)	369,447
Cash flows from operating activities	2,605,155,956	3,207,797,942
Cash paid for income tax expense	(18,562,118)	(8,658,068)
Net cash flows from operating activities	2,586,593,838	3,199,139,874
Cash flows from investing activities		
Decrease (increase) in short-term restricted bank deposits	(141,063,022)	313,924,905
Decrease (increase) in long-term restricted bank deposits	(207,801,126)	466,396,871
Increase in project costs during construction phase	(1,443,100,406)	(905,293,755)
Increase in advance for project costs	-	(100,268,889)
Increase in plant and equipment	(13,806,127)	(9,885,311)
Increase in intangible assets	(26,210,030)	-
Cash paid for interest capitalised as part of project costs during construction phase	(94,038,317)	-
Net cash flow used in investing activities	(1,926,019,028)	(235,126,179)

Cash flows from financing activities

Increase (decrease) in long-term loans from financial institutions

Cash receipt from issuance of debentures

Cash paid for loan arrangement fee

Cash paid for debenture issuing cost

Cash paid for interest expenses

Dividend payment

Net cash flows used in financing activities

Net increase (decrease) in cash and cash equivalents

Effect of exchange rate changes on cash and cash equivalents

Cash and cash equivalents at beginning of year

Cash and cash equivalents at end of year

For the Year ended December 31	
2017	2016
(5,003,784,259)	547,824,930
6,000,000,000	-
(2,815,796)	(383,579,254)
(54,853,213)	-
(659,300,053)	(786,557,949)
(1,057,080,000)	(2,554,610,000)
(777,833,321)	(3,176,922,273)
(117,258,511)	(212,908,578)
(11,197,237)	420,271
1,165,970,217	1,378,458,524
1,037,514,469	1,165,970,217

Supplemental cash flow information

Non-cash transactions

Increase in project costs during construction phase from project payables

Increase in intangible assets from other payables

Transfer spare parts and supplies to equipment

791,405	133,925,394
15,493,415	-
27,592,229	-

9 MANAGEMENT DISCUSSION AND ANALYSIS ON FINANCIAL DATA

9.1 Business Overview

Nam Ngum 2 Power Company Limited (“the Company”) was incorporated under the laws of Lao People’s Democratic Republic (Lao PDR). The major shareholder of the Company is SouthEast Asia Energy Limited (“the Parent Company”), which is incorporated in Thailand and holds 75 percent of the Company. The Company principally engages in generating and selling of electricity from its Nam Ngum 2 Hydroelectric Power Project, located in Lao PDR. As specified in the PPA, the Initial Operation Date (“IOD”) and Commercial Operation Date (“COD”) of Nam Ngum 2 Hydroelectric Power Project were 26 March 2011 and 1 January 2013, respectively.

9.2 Analysis of Operating Results for the Year-Ended December 31, 2017

Unit: Million Baht

Description	Period		Changes	
	2016	2017	Increase / (Decrease)	%
Revenue from Sales of Electricity	3,814.9	3,318.3	(496.6)	(13.0)
Other Incomes	18.2	9.1	(9.1)	(50.0)
Total Revenues	3,833.1	3,327.4	(505.7)	(13.2)
Operation and Maintenance Cost	415.5	339.3	(76.2)	(18.3)
Depreciation	1,074.7	1,074.2	(0.5)	(0.0)
Royalty Fee	130.3	113.3	(17.0)	(13.0)
Others	39.4	35.5	(3.9)	(9.9)
Total Cost of Sales of Electricity	1,659.9	1,562.3	(97.6)	(5.9)
Gross Profits	2,173.2	1,765.1	(408.1)	(18.8)
Administrative Expenses	642.8	221.5	(421.3)	(65.5)
Foreign Exchange Gain / (Loss)	(45.4)	(122.3)	76.9	169.4
Earnings Before Interest and Tax	1,485.1	1,421.3	(63.8)	(4.3)
<u>Less:</u> Financial Cost	854.0	871.6	17.6	2.1
<u>Less:</u> Income Tax Expenses	13.5	16.2	2.7	20.0
Net Profit	617.6	533.5	(84.1)	(13.6)

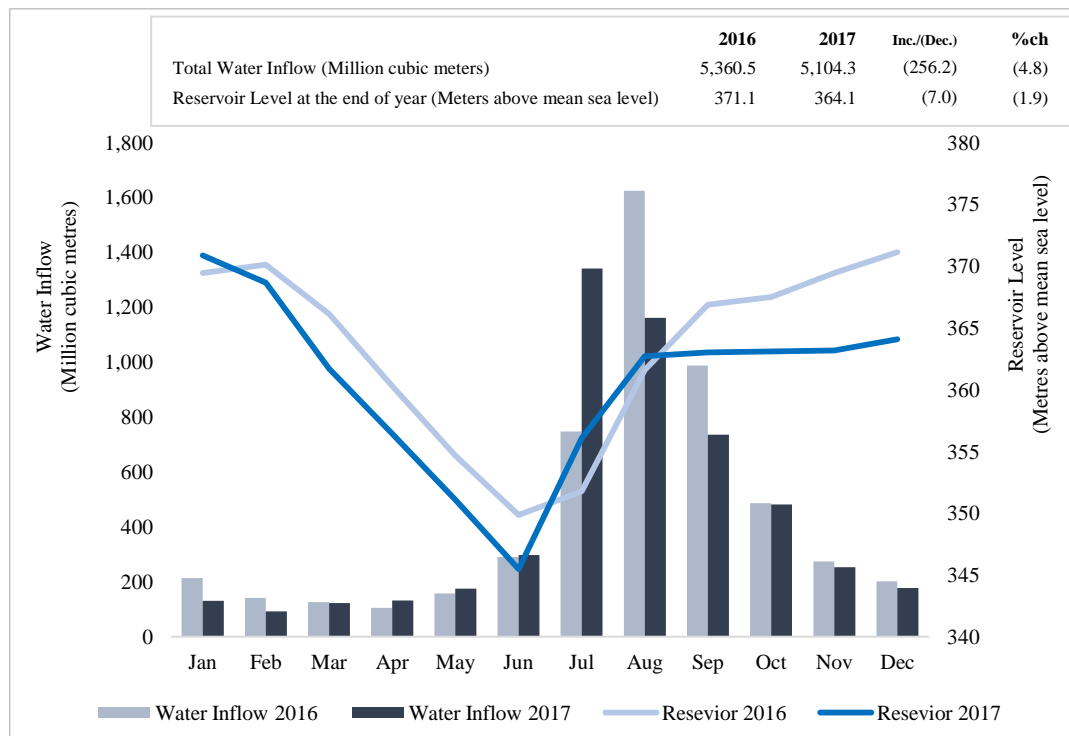
In 2017, the Company reported Total Revenues of Baht 3,327.4 million, a decrease of Baht 505.7 million or 13.2% compared to the previous year and Net Profit of Baht 533.5 million, a decrease of Baht 84.1 million or 13.6% compared to the previous year, the details of which are as follows:

a) Revenue from Sales of Electricity

In 2017, the Company reported Revenue from Sales of Electricity of Baht 3,318.3 million, decreased by Baht 496.6 million or 13.0% compared to the previous year, primarily due to the following reasons:

- The water inflow in 2017 was decreased by 256.2 million cubic meters or 4.8% compared to the previous year, the Company adopted a conservative water management scheme by lowering its declaration of plant's availability to ensure that the remaining water in the reservoir would be sufficient to produce electricity as planned for the entire year. As a result, reported Electricity Sales Volume during 2017 was decreased by 251.5 GWh or 11.9% compared to the previous year.; and
- The strengthening of Thai Baht against US Dollars affected the Company's revenue which partially received in US Dollars.

Water Inflow and Reservoir Level



Electricity Sales Volume

Description	Electricity Sales Volume (GWh)		Changes	
	2016	2017	Increase / (Decrease)	%
PE ⁽¹⁾	2,031.5	1,829.1	(202.4)	(10.0)
Declaration from PE Account ⁽²⁾	-	-	-	-
Total Sales of PE	2,031.5	1,829.1	(202.4)	(10.0)
SE ⁽³⁾	70.6	24.6	(46.0)	(65.2)
Declaration from SE Account ⁽⁴⁾	-	-	-	-
Total Sales of SE	70.6	24.6	(46.0)	(65.2)
Total Sales of EE⁽⁵⁾	-	-	-	-
Total Sales of TE⁽⁶⁾	6.8	3.7	(3.1)	(45.6)
Total Electricity Sales	2,108.9	1,857.4	(251.5)	(11.9)

Remark:

- (1) Primary Energy or PE is the electricity volume under Power Purchase Agreement (PPA) with a defined Annual Supply Target of 2,218 GWh. The declaration of plant's availability for PE should not exceed 16 hours per day. Failure by NN2 to meet the Annual Supply Target in each calendar year will not constitute an Event of Default pursuant to the PPA.
- (2) Primary Energy Account or PE Account is an account used to record the amount of PE generated in each calendar year, which is in excess of the Annual Supply Target of such year. The balance in PE Account can be withdrawn and recognized as revenue from sales of PE in any year when the amount of PE declared in such year does not meet the Annual Supply Target. The PE account can be utilized until the balance of PE Account equals to zero or until the Annual Supply Target is fulfilled, whichever comes first. As of December 31, 2017, there was no PE Account balance remaining.
- (3) Secondary Energy or SE is the electrical energy declared during August, September and October of each year. The PPA defined the Annual Supply Target for SE at 92 GWh. Failure by NN2 to meet the Annual Supply Target in each calendar year will not constitute an Event of Default pursuant to the PPA.
- (4) Secondary Energy Account or SE Account is an account used to record the amount of SE generated in each calendar year, which is in excess of the Annual Supply Target of such year. The balance in SE Account can be withdrawn and recognized as revenue from sales of SE in any year when the amount of SE declared in such year does not meet the Annual Supply Target. The SE account can be utilized until the balance of SE Account equals to zero or until the Annual Supply Target is fulfilled, whichever comes first. As of December 31, 2017, there was no SE Account balance remaining.
- (5) Excess Energy or EE is the excess electricity generated in any month of a year when the actual volume of water inflow exceeds the monthly declaration that the Company made to EGAT a month in advance.
- (6) Test Energy or TE is the electricity energy generated and sold during the testing period.

b) Cost of Sales of Electricity

Reported Total Cost of Sales of Electricity during 2017 was Baht 1,562.3 million, decreased by Baht 76.2 million or 18.3% compared to the previous year, mainly due to:

- Operation and Maintenance Costs decreased by Baht 76.2 million or 18.3% compared to the previous year as a result of the Company's effective operation cost management and the decline in repair and maintenance expenses compared to 2016.; and
- Royalty Fee decreased by Baht 17.0 million or 13.0% compared to the previous year which was consistent with the decline in Revenue from Sales of Electricity.

c) Administrative Expenses

Reported Administrative Expenses during 2017 was Baht 221.5 million, decreased by Baht 421.3 million or 65.5% compared to the previous year primarily due to the one-time write-off of Baht 377.6 million from the termination of Nam Bak Hydroelectric Power Project development in the fourth quarter of 2016.

d) Foreign Exchange Gain / (Loss)

In 2017, the Company reported a Foreign Exchange Loss of Baht 122.3 million, mainly coming from the strengthening of Thai Baht against US Dollars compared to the previous year, from an average of 35.1 Baht/USD during 2016 to an average of 33.6 Baht/USD during 2017. As a result, the Company recognized more loss from converting US Dollar Assets and Liabilities to Thai Baht during 2017.

e) Finance Cost

In 2017, the Company reported Finance Cost of Baht 871.6 million, increased by Baht 17.6 million or 2.1% compared to the previous year primarily as a result of the amortization of fee from loan refinancing transaction in September 2016 which partially offset by lower interest rate from issuance and sold of the Company's debentures in October 2017.

f) Income Tax Expenses

The Company reported Income Tax Expenses during 2017 of Baht 16.2 million, increased by Baht 2.7 million or 20.0% from the previous year because the Company granted the exemption of Income Tax Expenses which ended on 26 March 2016 compared to full-year Income Tax Expense calculation during 2017.

9.3 Analysis of Financial Position**a) Assets**

As at December 31, 2017, Total Assets of the Company was Baht 27,628.6 million, increased by Baht 490.4 million or 1.8% from the end of 2016 mainly driven by the increase in Project costs during Construction Phase from the on-going Nabong Substation Upgrade project.

b) Liabilities

As at December 31, 2017, Total Liabilities of the Company was Baht 17,400.5 million, increased by Baht 563.1 million or 3.3% from the end of 2016 mainly from the on-going Nabong Substation Upgrade project.

In October 2017, the Company issued and sold the debentures to repay its Long-term Loans from Financial Institutions to reduce the interest rate.

c) Shareholders' Equity

As at December 31, 2017, Total Shareholders' Equity of the Company was Baht 10,228.1 million, decreased slightly by Baht 72.6 million or 0.7% from the end of 2016 mainly due to the dividend paid for the 2016 financial results which partially offset by the improvement of unrealized loss from cash flow hedges as a result of the repayments of the Company's US Dollar long-term loan in the 1st quarter and the 3rd quarter of 2017 and the strengthening of Thai Baht during 2017 compared to the previous year.

9.4 Significant Financial Ratio

Profitability Ratio	Period		Changes
	2016	2017	
Gross Profit Margin (%)	56.7	53.0	(3.7)
EBITDA Margin (%) ⁽¹⁾	76.8	75.2	(1.6)
Net Profit Margin (%) ⁽¹⁾	26.0	16.0	(9.9)
Leverage Ratio	As at Dec 31, 2016	As at Dec 31, 2017	Changes
Debt to Equity Ratio (Times)	1.6	1.7	0.1
Debt to Equity Ratio (Times) in accordance with Terms & Conditions ⁽²⁾	1.4	1.4	0.1
Interest Coverage Ratio (Times)	3.4	2.9	(0.6)
Liquidity Ratio	As at Dec 31, 2016	As at Dec 31, 2017	Changes
Current Ratio (Times)	2.1	1.3	(0.9)
Quick Ratio (Times)	1.8	1.0	(0.8)
Average Collection Period (Day)	66.9	49.4	(17.4)

Remark: (1) Excluded one-time write-off of Nam Bak Hydroelectric Power Project development cost

(2) The Terms and Conditions of the debentures provide that the Issuer shall ensure that the ratio of Debt to Equity, in accordance with its Financial Statement, shall not exceed 3:1 as at the last day of the fourth quarter of each year, whereby “Debt” and “Equity” are defined in the Condition.

In 2017, the Company reported Gross Profit Margin of 53.0%, a 3.7% decreased from last year, EBITDA Margin of 75.2%, a 1.6% decreased from last year and Net Profit Margin of 16.0%, a 9.9% decreased from last year, mainly due to the lower sales volume from lower-than-expect water inflow.

As at December 31, 2017, Debt to Equity ratio was at 1.7 times, an increase of 0.1 times from the end of 2016. Net Interest Bearing Debt to Equity Ratio was 1.4 times, an increase of 0.1 times from the end of 2015. Interest Coverage Ratio was 2.9 times, a decrease of 0.6 times from the end of 2016. Current Ratio was 1.3 times, a decrease of 0.9 times from the end of 2016, primarily from the increase in Current portion of Long-term Loans at the end of 2017, mainly as a result of the on-going Nabong Substation Upgrade project. Quick Ratio was 1.0 times, a decrease of 0.8 times from the end of 2016, primarily from the decline in Cash and Cash Equivalents mainly as a result of lower Revenue from Sales of Electricity. Average Collection Period was 49.4 days, an improvement of 17.4 days from the end of 2016, following the decline in Accounts Receivable balance in 2017 compared with 2016. Overall, the Company continued to maintain strong debt service capability and healthy level of financial liquidity.



10. GENERAL INFORMATION AND OTHER RELATED INFORMATION

The Issuer	Nam Ngum 2 Power Company Limited 215 Lanexaog Avenue, Ban Xieng Yuen, Chanthabouly District, Vientiane, Lao PDR
The Issuer's Representative in Thailand:	The Legists Group Offices of N&K Ltd. 990 Abdulrahim Place, 9th Floor, Room No. 901-1, Rama IV Road, Silom, Bangrak, Bangkok 10500
Financial Institutions in Thailand:	Bangkok Bank Public Company Limited 333 Silom Road, Bangkok 10500 Krung Thai Bank Public Company Limited 35 Sukhumvit Road, Klong Toey Nua, Wattana, Bangkok 10110 Thailand Siam Commercial Bank Public Company Limited 9 Ratchadapisek Rd., Jatujak, Bangkok 10900 Thailand
Lead Underwriters:	Bangkok Bank Public Company Limited 333 Silom Road, Bangkok 10500 Krung Thai Bank Public Company Limited 35 Sukhumvit Road, Klong Toey Nua, Wattana, Bangkok 10110 Thailand Siam Commercial Bank Public Company Limited 9 Ratchadapisek Rd., Jatujak, Bangkok 10900 Thailand
Registrar of Debentures:	Thailand Securities Depository Co., Ltd. 93 Ratchadaphisek Road, Dindaeng, Bangkok 10400, Thailand Tel: (66 2) 009 9000 Fax: (66 2) 009 9991
Debentureholders' Representative:	Bangkok Bank Public Company Limited 333 Silom Road, Bangkok 10500
Legal Advisors:	Legal Advisors in connection with the Bond transaction:

As to laws of Thailand

Baker & McKenzie Ltd.

25th Floor, Abdulrahim Place
990 Rama IV Road
Bangkok 10500, Thailand

As to laws of Lao PDR

South East Asia Law Office Co., Ltd

179 Phayasi Road, Sithan Neau,
Sikhottabong District,
Vientiane Capital, Lao PDR.

Auditor:

EY Office Limited

33rd Floor, Lake Radjada Office Complex
193/136-137 Rahadapisek Road
Klongtoey, Bangkok 10100

Financial Advisor:

None

Language

The documents of the Issuer including but not limited to
Registration Statement, Prospectus and Financial
Statements will be in English.