

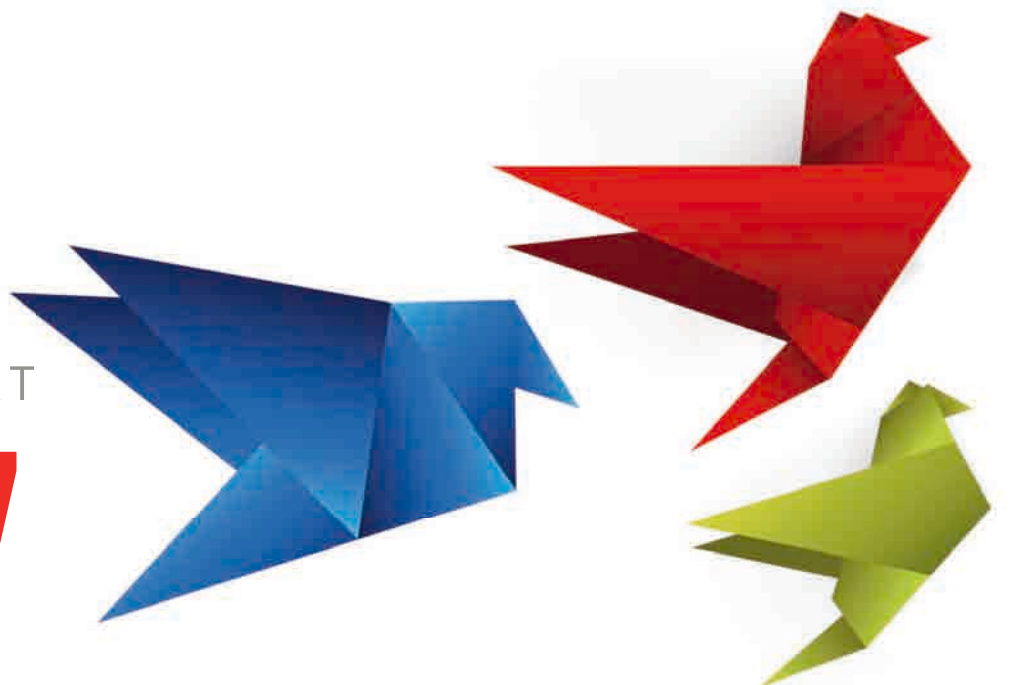


**VINYTHAI**  
AGC Group

ANNUAL REPORT

**2017**

**VINYTHAI**



**TWO**  
NATIONS  
**ONE**  
SOUL









**Vinythai Public Company Limited**  
Annual Report 2017



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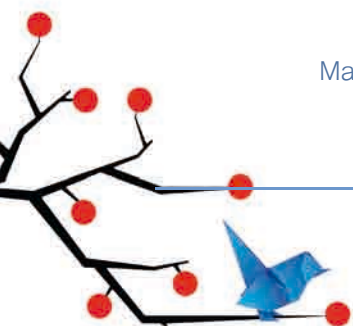
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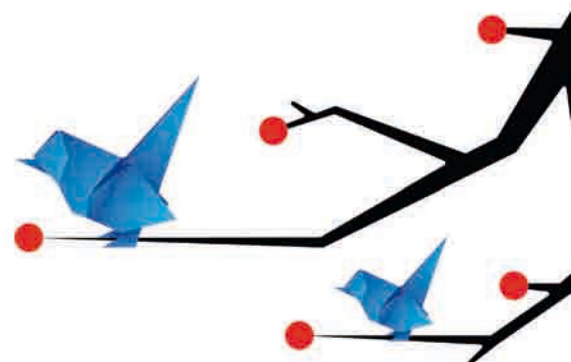
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## FINANCIAL HIGHLIGHTS



| Unit : Million Baht                 | 2015 <sup>#</sup> | 2016 <sup>#</sup> | 2017 <sup>#</sup> |
|-------------------------------------|-------------------|-------------------|-------------------|
| Sales Revenues                      | 16,555            | 15,659            | 19,282            |
| Total Revenues                      | 16,653            | 15,887            | 19,403            |
| Gross Profit                        | 1,786             | 2,120             | 3,965             |
| Income before Financial Cost        | 660               | 1,176             | 2,368             |
| Net Profit                          | 566               | 1,124             | 2,248             |
| Depreciation                        | 1,466             | 1,492             | 1,278             |
| Cash Flow from Operating Activities | 2,197             | 2,545             | 3,409             |
| Capital Expenditures                | 404               | 269               | 338               |
| Total Assets                        | 19,048            | 18,579            | 19,879            |
| Total Liabilities                   | 3,552             | 2,415             | 2,011             |
| Total Loan                          | 1,827             | 618               | -                 |
| Shareholders' Equity                | 15,496            | 16,164            | 17,868            |
| Persons Employed as of Year End     | 457               | 453               | 469               |

## INFORMATION PER SHARE & FINANCIAL RATIO



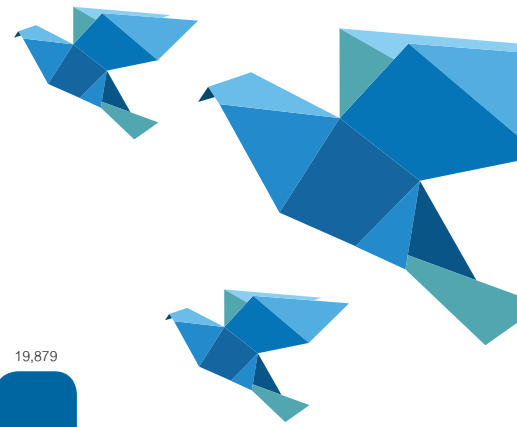
| Unit : Baht                     | 2015 <sup>#</sup> | 2016 <sup>#</sup> | 2017 <sup>#</sup> |
|---------------------------------|-------------------|-------------------|-------------------|
| Earning per Share               | 0.48              | 0.95              | 1.90              |
| Book Value per Share            | 13.07             | 13.64             | 15.08             |
| Dividend per Share (baht/share) | 0.400             | 0.450             | 0.900             |
| Net Profit Margin               | 3.4%              | 7.1%              | 11.6%             |
| Return on average equity (ROE)  | 3.7%              | 7.1%              | 13.2%             |
| Return on average assets (ROA)  | 3.4%              | 6.2%              | 12.3%             |

<sup>#</sup> Information above were extracted from consolidated financial statements.

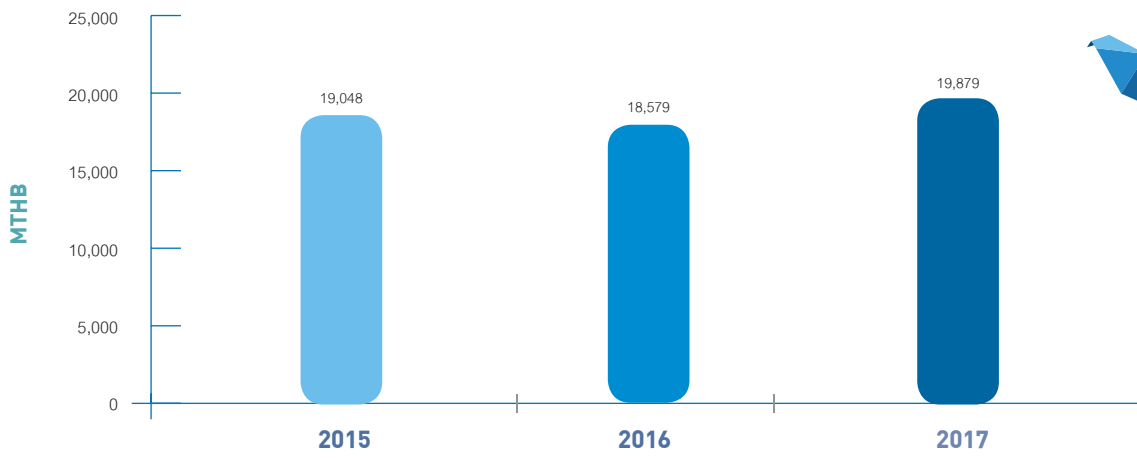
\* The Board of Directors' Meeting resolved to propose the Annual Ordinary General Meeting of Shareholders to consider and approve in April 2017.



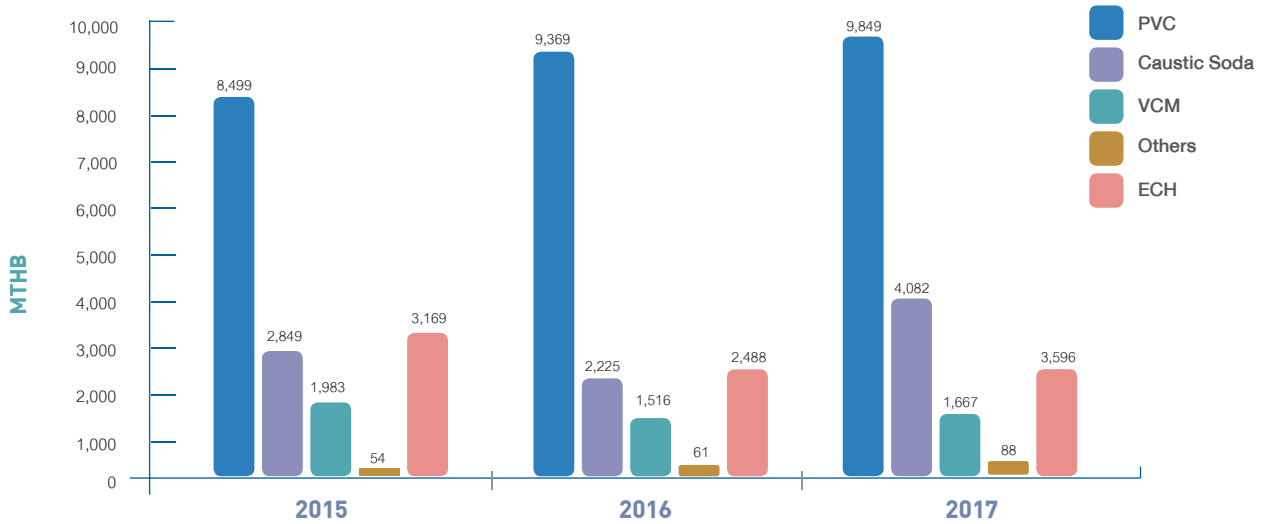




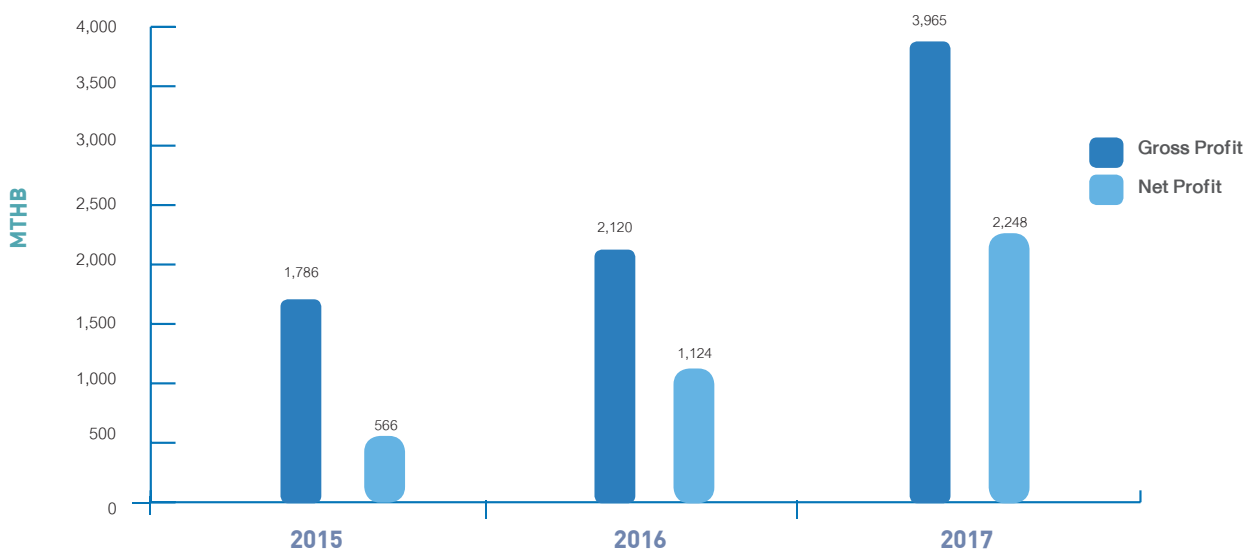
## TOTAL ASSETS



## SALES BY PRODUCTS



## GROSS PROFIT AND NET PROFIT



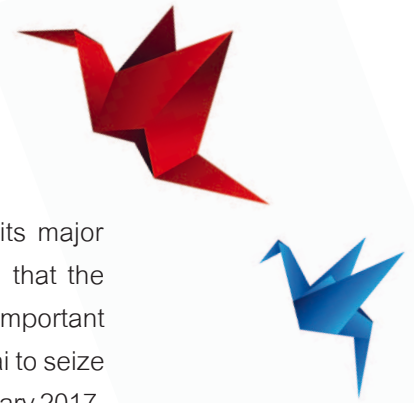






# MESSAGE FROM THE CHAIRMAN

## 2017: A Year of Change



2017 was a challenging year for Vinythai because there was a change in its major shareholder from Solvay S.A. to AGC (Asahi Glass Co., Ltd.). AGC announced that the Chlor-Alkali business in the Southeast Asia region is one of the AGC Group's most important businesses. Indeed, that is why the move to become a major shareholder in Vinythai to seize the growth opportunities in Southeast Asia, was initiated and completed on 22<sup>nd</sup> February 2017.

The year was defined by changes that Vinythai had put the utmost efforts in continuing its high performance, and smooth and stable operation led by the new management team. Thanks to our three spirits kept in mind, namely; "Safety & Compliance", "Communication", and "Learn from Each Other", we are already well advanced along the road to achieving those goals.

Keeping everyone's safety awareness comes to the fore. Operator-Friendly Facility has been introduced to minimize human factors giving rise to incidents or accidents. It was gratifying to see how positively everyone responded and collaborated, which is why we can continue to be proud of our safety record as we relentlessly aim to consistently maintain "Zero Accident" status.

Compliance has also progressed and revisions to our code of conduct are being rigorously implemented. A "Bad News First" concept is a fundamental to our communication culture. In so doing, we optimize our ability to pre-empt and contain adverse impacts by proactively preventing problems, or at least nipping them in the bud. The complementary principle of "cross-fertilization" whereby we all learn from one another has also reinforced the organization and catalyzed its development.

This year, our success was widely recognized by various organizations. The company achieved certification by Thailand's Private Sector Collective Action Coalition against Corruption (CAC) Council. Two tokens of appreciation for carbon reduction activities were granted from Ministry of Natural Resources and Environment. Vinythai is 1 of 100 leading companies recognized as outstanding performance in Environmental, Social and Governance aspects (ESG100) announced by Thaipat Institute. Lastly, our notebooks with a concept, local products promotion, could win the Public Relations Society of Thailand's Suriya Sasithorn Award.

As for market conditions of Caustic Soda and PVC, they were generally favorable in 2017, providing us with good opportunities to deliver good performance. Thanks to the various facets of Vinythai synchronizing and mobilizing, the results speak for themselves.

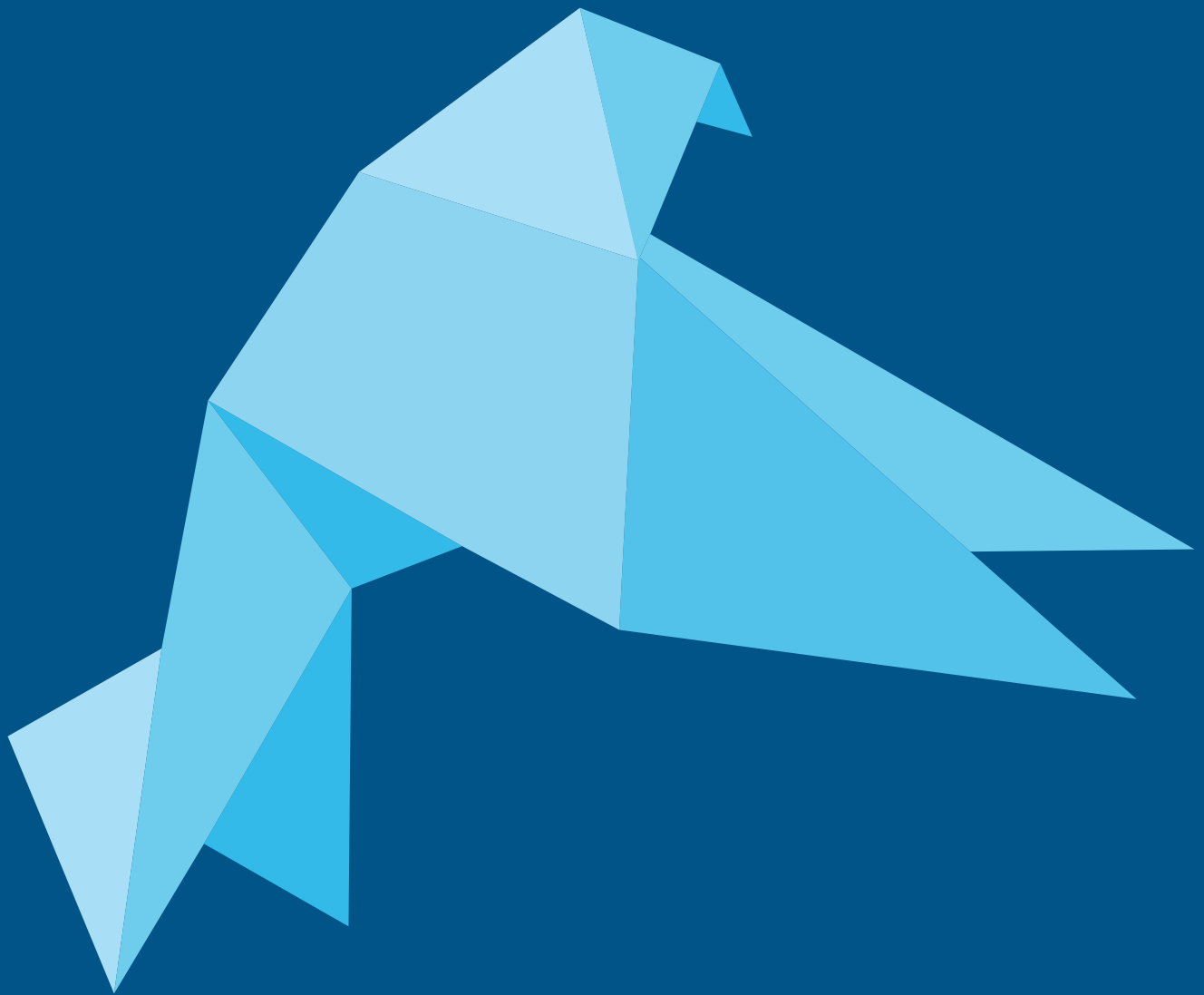
Lastly, I would like to thank all stakeholders for their support throughout the year. We will continue moving forward to offer quality products and unique solutions with high responsibility to make people's lives better every day.

古賀利朗

(Mr. Kazuaki Koga)

Chairman of the Board of Directors





# BUSINESS OVERVIEW



# VISION MISSION AND SHARED VALUES

## Vision

### Growing with You - As a Trusted and Innovative Partner

Vinythai Plc. grows its business on its solid operating foundations, continuous innovation, and the trust it earns from its stakeholders. The Company prides itself on always acting ethically and responsibly towards environment and its stakeholders.

## Mission

### Vinythai, the first choice in chlor-alkali and biochemicals for better living and sustainability.

Vinythai aims to always provide the best solutions for customers. With its unique materials, the Company builds long-term relationships grounded in outstanding product performance and service support.

We will continue producing and delivering the PVC, Caustic Soda, Bio-based Epichlorohydrin and solutions that our customers seek and society needs, thereby making people's lives better every day.

## Shared Values

### Innovation & Operational Excellence

- We will continuously seek innovations in the technology, products and services we provide by thinking beyond conventional ideas and frameworks.
- We will continuously create new value which satisfies the needs of our potential and future customers by thinking from the customer's perspective and accurately forecasting the changes in society and markets.
- We will continuously improve our operations for maximum efficiency and quality in every activity and will strive for the highest possible standard of performance.

### Diversity

- We will respect individuals with different capabilities and personalities, and our management will operate without regard to nationality, gender or background.
- We will respect cultural diversity regardless of race, ethnicity, religion, language, and nationality.
- We will respect different perspectives and opinions at all times.

### Environment

- We, as good global citizens, will contribute to the creation of a sustainable society in harmony with nature.

- We will strive to ensure and further improve occupational health and safety in our working environment.

### Integrity

- We will build open and fair relationships with all of our stakeholders based on the highest ethical standards.
- We will strictly comply with applicable laws and regulations.
- We will fulfill our responsibilities in relation to all the products and services we provide to achieve customer satisfaction and trust.

### People Development

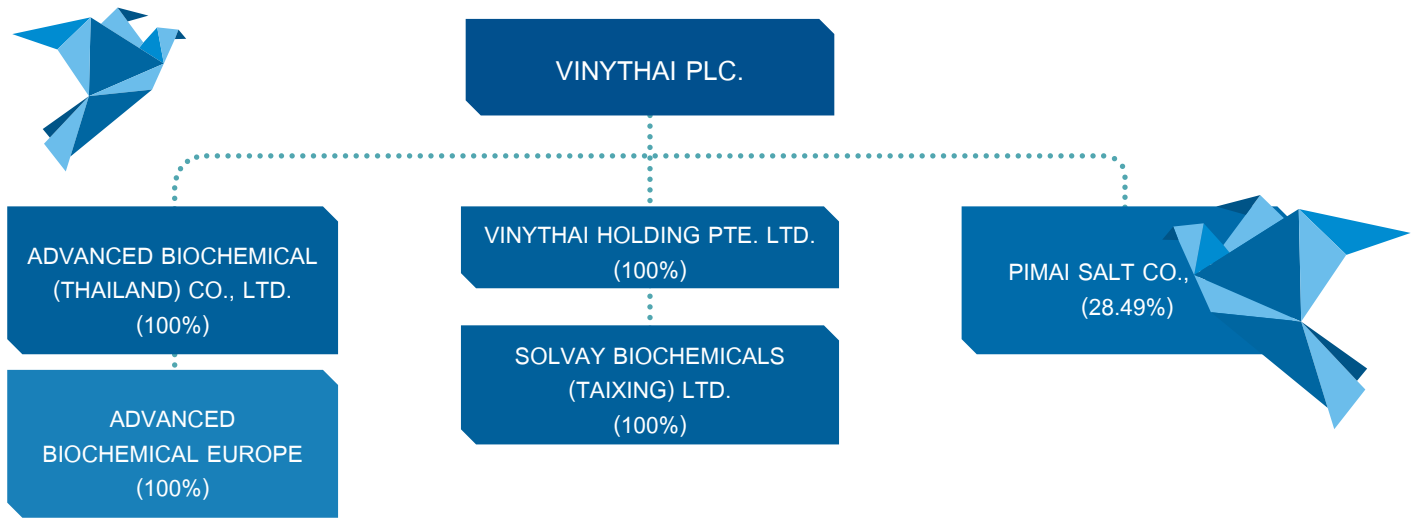
- We will unleash and leverage the full potential talent of each employee.
- We will empower all our employees to demonstrate "can do" spirit, commitment and accountability.

### VINYTHAI SHARED VALUES





# SHAREHOLDING STRUCTURE



## Advanced Biochemical (Thailand) Co., Ltd.

Advanced Biochemical (Thailand) Company Limited [formerly known as “Solvay Biochemicals (Thailand) Limited”] is a subsidiary company of Vinythai, principally engaged in manufacturing and trading of chemical product. Vinythai holds 100% of the company’s total issued shares amounting to 15,000,000 ordinary shares at par value of THB 100 each. Advanced Biochemical (Thailand) Limited’s plant and head office is located at: No. 2/1, I-3 Road, Map Ta Phut Industrial Estate, Tambon Map Ta Phut, Amphoe Mueang, Rayong Province, Telephone No. 0-3892-5000, Fax No. 0-3868-3048. The Company’s business office is located at: No. 11, Q.House Sathorn Building, 18<sup>th</sup> Floor, South Sathon Road, Khwaeng Thung Maha Mek, Khet Sathon, Bangkok 10120 Telephone No. 0-2030-6800, Fax No. 0-2030-6801-2.

## Vinythai Holding Pte. Ltd.

Vinythai Holding Pte. Limited is a subsidiary company of Vinythai, registered in Singapore. It holds 100% of the ordinary shares of Solvay Biochemicals (Taixing) Limited with its registered share capital of RMB 287 million.

Vinythai Holding Pte. Limited office is located at: 10 Collyer Quay, #10-01 Ocean Financial Centre, Singapore.

*Note: On 22 February 2017, the Board of Director’s meeting of the Company had unanimously approved the termination of the construction project and the liquidation of Vinythai Holding Pte. Ltd. and Solvay Biochemicals (Taixing) Ltd.*

## Solvay Biochemicals (Taixing) Ltd.

Solvay Biochemicals (Taixing) Limited is a subsidiary company of Vinythai Holding Pte. Ltd., registered in the People’s Republic of China, principally engaged in manufacturing and trading of chemical product. Vinythai Holding Pte. Ltd. holds 100% of the ordinary shares of Solvay Biochemicals (Taixing) Limited amounting to RMB 287 million.

Solvay Biochemicals (Taixing) Limited’s head office is located at: No. 1, Futai Road, Taixing Economic Development Zone, Jiangsu Province, the People’s Republic of China.

*Note: On 22 February 2017, the Board of Director’s meeting of the Company had unanimously approved the termination of the construction project and the liquidation of Vinythai Holding Pte. Ltd. and Solvay Biochemicals (Taixing) Ltd.*







### Advanced Biochemical Europe

Advanced Biochemical Europe (ABE) is a registered company in Brussels, Belgium with registered capital of EUR 20,000. ABE is a subsidiary company of Advanced Biochemical (Thailand) Co., Ltd. It is established to engage in the distribution of the products in Europe. Advanced Biochemical (Thailand) Co., Ltd. holds 100% of the ordinary shares of ABE.

### Pimai Salt Co., Ltd.

Pimai Salt, an associated company of Vinythai, is a producer of pure refined salt. The company was established under a joint venture agreement between AGC Chemicals (Thailand) Co., Ltd., Thai Refined Salt Co., Ltd. and Vinythai, to produce and supply pure refined salt. Vinythai holds 552,331 ordinary shares in Pimai Salt, equivalent to 28.49% of the company's total issued shares, amounting to 1,938,915 ordinary shares at par value of THB 100 each.

Pimai Salt's plant is located in Amphoe Pimai, Nakhon Ratchasima Province, Thailand. Pimai Salt's Head Office is located at: 2<sup>nd</sup> Floor, Srfuengfung Building, 1016 Rama IV Road, Silom, Khet Bang Rak, Bangkok 10500, Telephone No. 0-2633-9380-6, Fax No. 0-2633-9390.

### Relation between the Company and its major shareholders

Vinythai's major shareholders are Asahi Glass Co., Ltd. (Japan) holding 58.78% of shares and PTT Global Chemical Public Company Limited (PTTGC) holding 24.98% of shares (information as of 11 May 2017). Vinythai Public Company Limited is a manufacturer and distributor of Polyvinyl Chloride (PVC) and Caustic Soda which are important chemical products. Ethylene, one of the main raw materials, is purchased from PTT Global Chemical Public Company Limited (PTTGC), the largest producer of ethylene in Thailand and the company's second major shareholder. The company entered into a long term purchase agreements in order to secure the supply of such raw material. The said mentioned agreements have been approved by the Board of Directors. The company has also complied with all related rules/regulations for the transactions.



# NATURE OF OPERATIONS

## Vinythai Public Company Limited

The Company's production facilities are located at Map Ta Phut in Rayong. They include two PVC plants (suspension and emulsion resins), one Vinyl Chloride Monomer (VCM) plant, one Ethylene Dichloride (EDC) plant, and one Chlor-Alkali (CA) plant. The Company's production facilities are fully integrated plant from CA to PVC, so that the Company can rely as much as possible on locally-purchased raw materials and utilities, including ethylene from PTT Global Chemical Public Company Limited (formerly known as "PTT Chemical Public Company Limited"), salt from Pimai Salt Company Limited (PSC), and electricity from Glow Energy Public Company Limited (Glow Group). Also with the objective of ensuring availability of raw materials, Vinythai holds a minority shareholding in PSC.

In addition to chlorine, which is utilized in downstream production processes, the Company's Chlor-Alkali plant produces significant quantities of Caustic Soda as well as Hydrogen and Sodium Hypochlorite. These products are sold in the domestic market.

The Company's facilities are also equipped to import EDC and VCM as the need arises.

## Advanced Biochemical (Thailand) Co., Ltd.

The Company manufactures and sells Epichlorohydrin, a chemical substance mainly used in the Epoxy Resin production. It operates a plant located at Map Ta Phut in Rayong, on the site of its parent company (Vinythai). The Company uses a new production technology based on the Epicerol<sup>®</sup> process, developed and patented by Solvay S.A. The main raw materials of this process are Glycerin, Chlorine and Caustic Soda. The Glycerin is supplied from import and domestic suppliers, Chlorine and Caustic Soda are supplied from the parent company (Vinythai).

## Solvay Biochemicals (Taixing) Limited

The Company manufactures and sells Epichlorohydrin, the same product as Advance Biochemical (Thailand) Co., Ltd. Shareholders of the Company is Vinythai Holding Pte. Limited, which is incorporated in Singapore. It operates a plant located in Taixing Economic Development Zone, Jiangsu province, the People's Republic of China. However, on 22 February 2017, the Board of Director's meeting of the Company had unanimously approved the termination of the construction project and the liquidation of Solvay Biochemicals (Taixing) Limited due to the unfavorable business conditions in China.

*Note: On 22 February 2017, the Board of Director's meeting of the Company had unanimously approved the termination of the construction project and the liquidation of Vinythai Holding Pte. Ltd. and Solvay Biochemicals (Taixing) Ltd.*

## Advanced Biochemical Europe

The Company distributes Epichlorohydrin, produced by Advanced Biochemical (Thailand) Co., Ltd. in the European countries. However, on 23 February 2018, the Board of Directors' meeting of Vinythai Public Company Limited had approved the liquidation of Advanced Biochemical Europe due to internal business restructuring of the Group.





## Income Structure

Vinythai obtains the major part of its income from the manufacture and distribution of PVC resins, under the “SIAMVIC” trademark, VCM and from Caustic Soda. The income structures of Vinythai and its associated company are as follows:

| Sales Revenues                            | 2017          |             | 2016          |             | 2015          |             |
|---|---------------|-------------|---------------|-------------|---------------|-------------|
|   | MTHB          | %           | MTHB          | %           | MTHB          | %           |
| <b>Sales in Thailand</b>                  |               |             |               |             |               |             |
| 1. PVC Resins                             | 5,409         | 32.9        | 5,874         | 42.4        | 4,955         | 35.2        |
| 2. Caustic Soda                           | 4,288         | 26.1        | 2,459         | 17.7        | 3,009         | 21.4        |
| 3. VCM                                    | 1,667         | 10          | 1,516         | 11          | 1,983         | 14.1        |
| 4. Others                                 | 591           | 3.6         | 511           | 3.7         | 498           | 3.5         |
| <b>Total Sales in Thailand</b>            | <b>11,955</b> | <b>72.6</b> | <b>10,361</b> | <b>74.8</b> | <b>10,445</b> | <b>74.2</b> |
| <b>Sales Abroad</b>                       |               |             |               |             |               |             |
| 1. PVC Resins                             | 4,440         | 27          | 3,484         | 25.2        | 3,544         | 25.2        |
| 2. Caustic Soda                           | 65            | 0.4         | 0             | 0           | 79            | 0.6         |
| 3. VCM                                    | 0             | 0           | 0             | 0           | 0             | 0           |
| <b>Total Sales Abroad</b>                 | <b>4,504</b>  | <b>27.4</b> | <b>3,484</b>  | <b>25.2</b> | <b>3,624</b>  | <b>25.8</b> |
| <b>Sales in Thailand and Abroad</b>       |               |             |               |             |               |             |
| 1. PVC Resins                             | 9,849         | 59.9        | 9,358         | 67.6        | 8,499         | 60.4        |
| 2. Caustic Soda                           | 4,353         | 26.5        | 2,459         | 17.7        | 3,088         | 22          |
| 3. VCM                                    | 1,667         | 10          | 1,516         | 11          | 1,983         | 14.1        |
| 4. Others                                 | 591           | 3.6         | 511           | 3.7         | 498           | 3.5         |
| <b>Total Sales in Thailand and Abroad</b> | <b>16,459</b> | <b>100</b>  | <b>13,845</b> | <b>100</b>  | <b>14,069</b> | <b>100</b>  |

## Income Structure of Subsidiary Company

| Product / Service                        | 2017          |            | 2016          |            | 2015          |            |
|--|---------------|------------|---------------|------------|---------------|------------|
|  | Income (MTHB) | %          | Income (MTHB) | %          | Income (MTHB) | %          |
| Advance Biochemical (Thailand) Co., Ltd. |               |            |               |            |               |            |
| Produce & Supply Epichlorohydrin         | 3,572         | 96.7       | 2,488         | 95.8       | 3,169         | 97.0       |
| Others                                   | 121           | 3.3        | 108           | 4.2        | 99            | 3.0        |
| <b>% Shareholding by Vinythai</b>        |               | <b>100</b> |               | <b>100</b> |               | <b>100</b> |

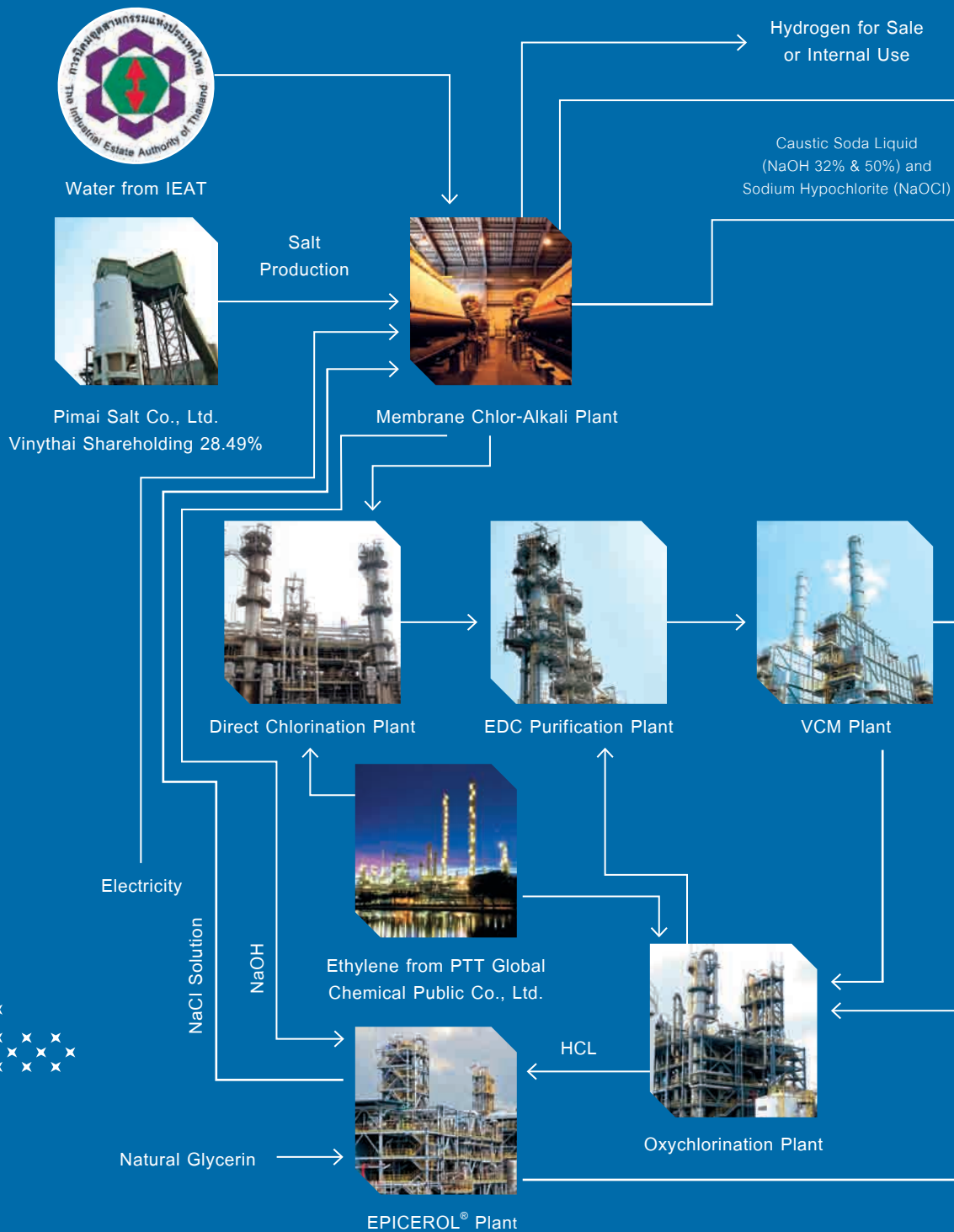
## Income Structure of Associated Company

| Product / Service                  | 2017          |              | 2016          |              | 2015          |              |
|------------------------------------|---------------|--------------|---------------|--------------|---------------|--------------|
|                                    | Income (MTHB) | %            | Income (MTHB) | %            | Income (MTHB) | %            |
| Pimai Salt Co., Ltd.               |               |              |               |              |               |              |
| Produce & Supply Pure Refined Salt | 1,639         |              | 1,679         |              | 1,736         |              |
| <b>% Shareholding by Vinythai</b>  |               | <b>28.49</b> |               | <b>28.49</b> |               | <b>28.49</b> |

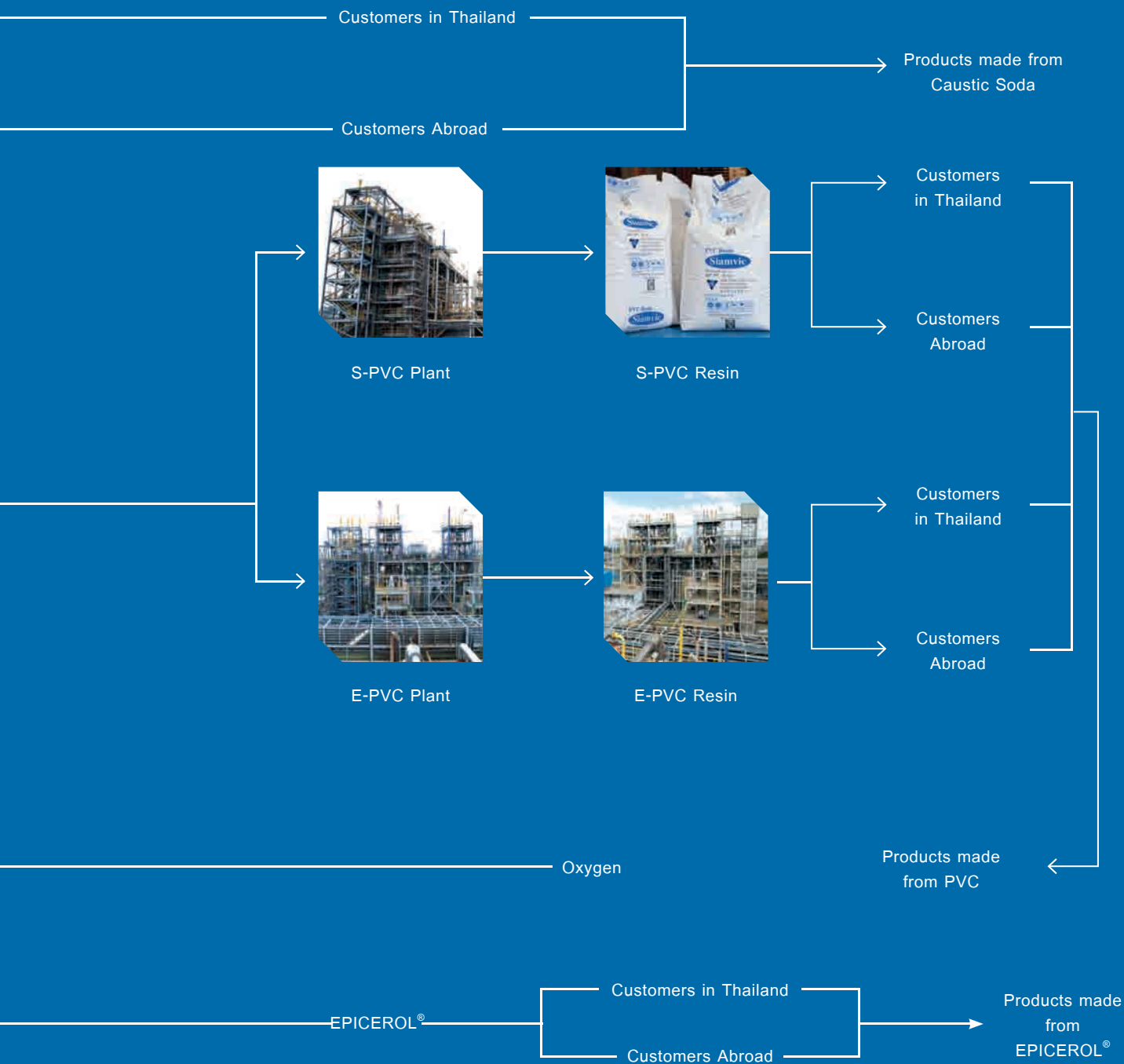
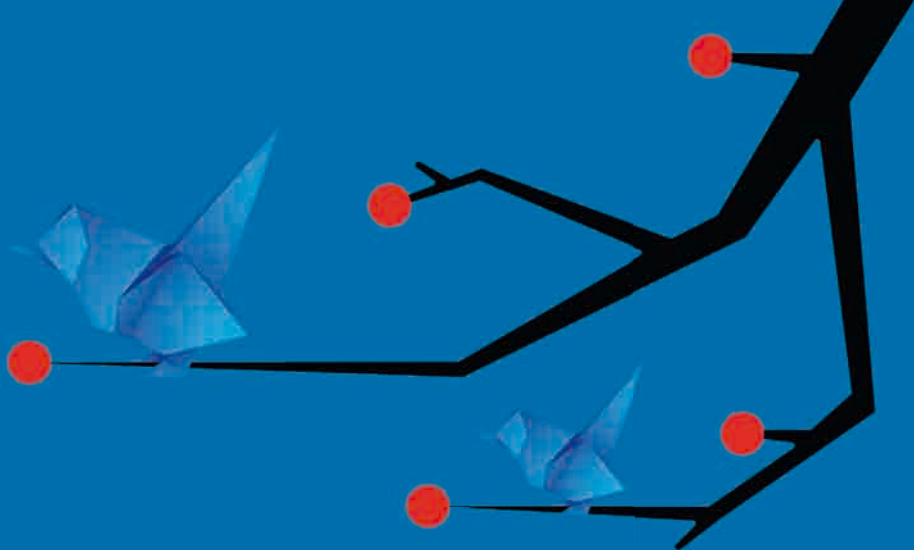


# PRODUCTION STRUCTURE

## FULLY INTEGRATED PRODUCTION PROCESS









# PRODUCTION AND PROCESS DEVELOPMENT

## 2017 To the Better Era

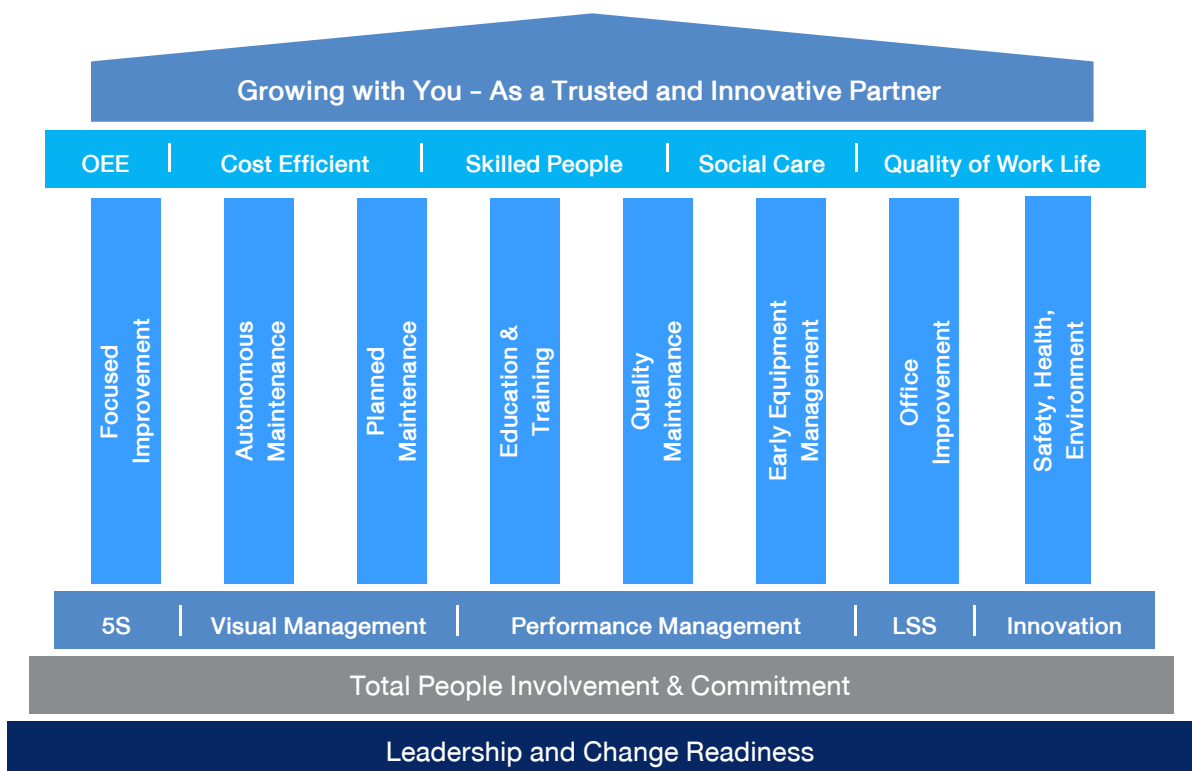
With the integration between AGC way and our manufacturing excellence program, which has been implemented since 2015, and good business circumstance, it boosted the 2017 results beyond the expectation.

Not only the good financial result, we are also proud of our achievement in new annual production record for all products: Caustic Soda, VCM, PVC and also Epichlorohydrin.

Safety and Stable Operation is the strategy to maximize the production, minimize the downtime and consistent quality and supply to customers. With Operator Friendly Facility Initiative, the Company invested in tools, training, spare parts in order to facilitate the work of people and to ensure the satisfied result.

And 2017 result confirms we are on a good track.

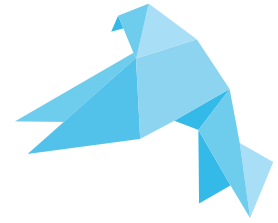
## Manufacturing Excellence *Plus*



For us, “Continuous Improvement” never come to an end. The integration of Manufacturing Excellence program with a Japanese way of work, Total Productive Maintenance (TPM), will help strengthen the staff’s entrepreneurship and their “One Team” spirit as well as solidify the Company’s foundation for further growth.



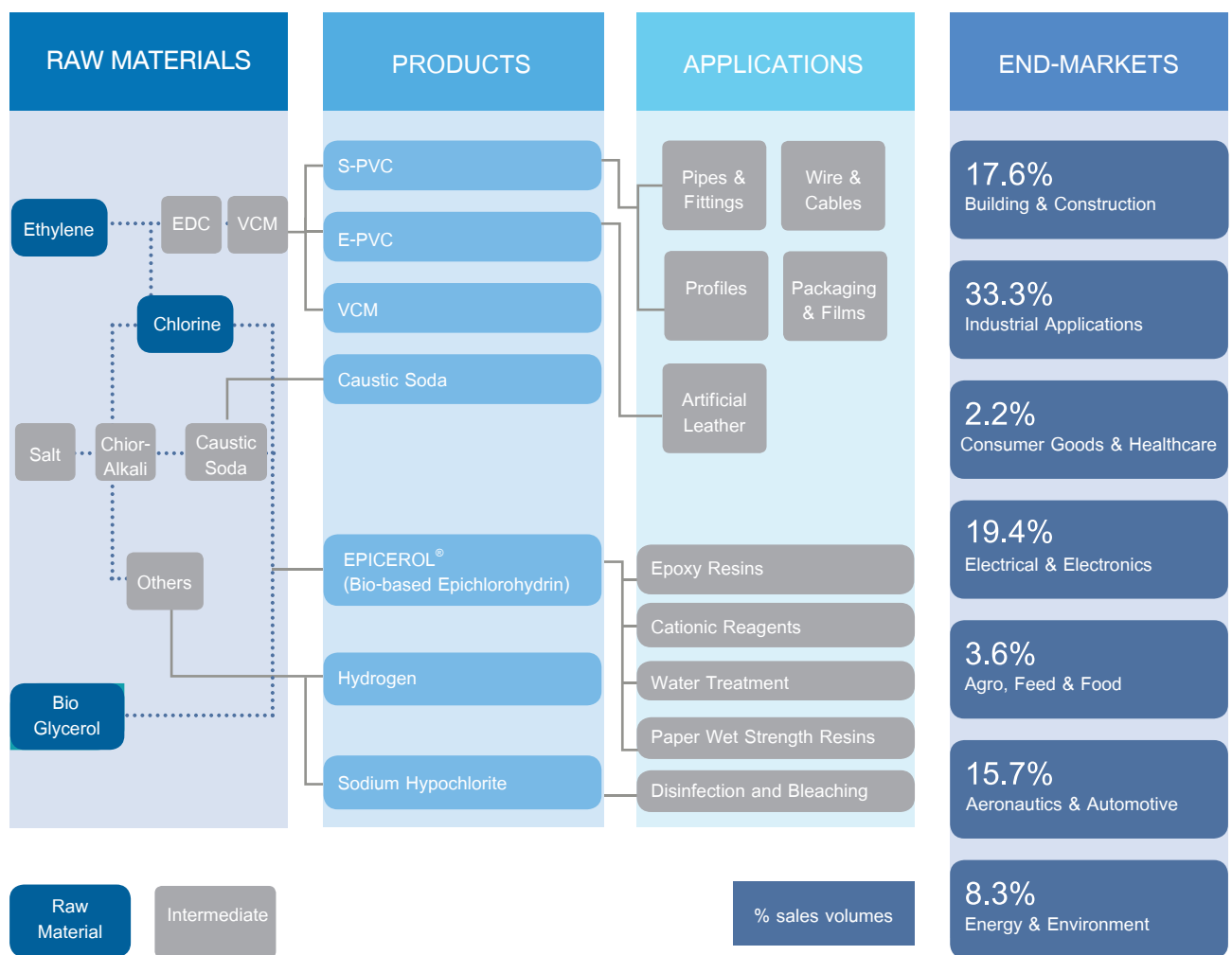




# MARKETING AND SALES

Vinythai and its subsidiary Advanced Biochemical (Thailand) produce and supply chlorinated derivatives and Caustic Soda to a wide range of industries and markets.

## Portfolio Outline



Vinythai Public Company Limited

- **Siamvic®, PVC or polyvinylchloride resins**

High-quality range of suspension and paste PVC resins serving a variety of industries including automotive, building & construction, electrical & electronics, consumer goods, packaging, healthcare.



- **Caustic soda, or sodium hydroxide**

Strong base soluble in water. It is used in various applications which are part of our daily life, such as pulp and paper, aluminum, detergents, fibers, food & feed among others.

Kosher, Halal and HACCP certificates are available on request.

- **Epicerol<sup>®</sup>, or bio-based ECH or bio-based epichlorohydrin**

Epicerol<sup>®</sup> is 100% bio-based ECH. ECH is a chemical intermediate for a wide range of industries including epoxy resins for corrosion protective coatings, electronics, automotive, aerospace and wind power generation industries.

Production process of Epicerol<sup>®</sup> is based on bio-based glycerin as a raw material, instead of propylene – a fossil fuel derivative, and on the environmentally friendly process, which enable downstream users to reduce carbon footprint.

## A COMPETITIVE LEADER ON ITS CORE MARKETS AND AN EMERGING BIOCHEMICAL PLAYER

Several factors contribute to the success of the Company as a competitive player in S.E.A.:

- **Integrated Manufacturing:** well integrated industrial site in Map Ta Phut
- **Secured Raw Materials:** Ethylene secured with the Company's shareholder (PTTGC), salt secured with the Company's stake in Pimai Salt, Glycerin of vegetable origin is sourced from diversified origins.
- **Successful Excellence Programs:** our employees relentlessly strive to outperform manufacturing, commercial and supply chain excellence programs.
- **Research & Innovation:** focusing on improvement of technologies.

The Company, as opposed to its main competitors, sells its products on the merchant market only and is recognized by its customers as a reliable and competitive partner to accompany their growth. This allowed the Company to reach a leadership position on its core markets.

## FOR THE SUSTAINABILITY

- **Siamvic<sup>®</sup>, PVC or polyvinylchloride resins**

The Company jointly work to further develop and secure sustainable use of PVC in the Industry, in collaboration with our customers, with authorities and associations. Vinythai SPVC receive Green Star certificate from the Green Building Council of Australia (GBCA).





- **Epicerol<sup>®</sup>, bio-based ECH or bio-based epichlorohydrin**

“Sustainability begins at the Source” eloquently says the slogan of Advanced Biochemical (Thailand) Co., Ltd.

One world scaled company, ranking top of Dow Jones Sustainability Index promotes the use of bio-based materials in its coating formulations, aiming to source 20 percent of its total ECH demand as bio-based ECH.

More recently, Advanced Biochemical (Thailand) Co., Ltd. became the first bio-based chemical operator in Asia to obtain certification from the Roundtable on Sustainable Biomaterials (RSB). RSB is an independent and global multistakeholder coalition which works to promote the sustainability of biomaterials.

Vinythai and its subsidiary Advanced Biochemical (Thailand) are truly emerging as a leading biochemical partners well recognized in the value chain.

## SUMMARY AND OUTLINE FOR 2017

Despite the weak domestic demand especially for the construction business, Vinythai recorded the historical high volume for Caustic Soda, Siamvic<sup>®</sup>(PVC) and Epicerol<sup>®</sup>(ECH) in 2017. That is thanks to the several factors, such as stable demand in the region, the reduction of the surplus capacity triggered by the strict environmental policy in China, the further penetration of Epicerol<sup>®</sup>(ECH) as an environmental friendly product to the market, and so on. Vinythai continues to make efforts in line with the new Vision and Mission.





# HUMAN RESOURCES MANAGEMENT

## Employees

As at 31 December 2017, total headcount is as follows:

|             | Vinythai | Advanced Biochemicals<br>(Thailand) | Solvay Biochemicals<br>(Taixing) |
|-------------|----------|-------------------------------------|----------------------------------|
| Map Ta Phut | 430      | 0                                   | 0                                |
| Bangkok     | 41       | 0                                   | 0                                |
| China       | 0        | 0                                   | 2                                |

Employees in each main working unit consist of:

|                                      | Vinythai | Advanced Biochemicals<br>(Thailand) | Solvay Biochemicals<br>(Taixing) |
|--------------------------------------|----------|-------------------------------------|----------------------------------|
| Managing Director Unit               | 10       | 0                                   | 0                                |
| Business and Administration          | 27       | 0                                   | 1                                |
| Production Unit                      | 204      | 0                                   | 0                                |
| Production and Business Support Unit | 230      | 0                                   | 1                                |
| Project and Construction Unit        | 0        | 0                                   | 0                                |

## Remuneration to Staff

In 2017, the total remuneration consisting of salary, bonus and other benefits, including provident fund scheme paid to employees is as follows:

|   | Vinythai | Advanced Biochemicals<br>(Thailand) | Solvay Biochemicals<br>(Taixing) |
|---|----------|-------------------------------------|----------------------------------|
| Total Remuneration of Employees<br>(MTHB) | 628      | 8                                   | 2                                |

Vinythai is strongly committed to offering its employees a safe working environment and promoting their professional development. The Company respects fundamental human rights and provides its employees with equal opportunity without any discrimination. It also strives to maintain a regular dialogue with its employees and their representatives in an atmosphere of trust.





### 1) Vinythai Values its Employees

Vinythai values and respects equally all its employees. All employees are also expected to respect the distinctions of our individuality. The Company provides equal opportunity and encourages diversity at every level of employment. All employees should respect one another and should promote the Company's objectives collectively and collaboratively without any regard to race, ethnicity, religion, national origin, gender, sexual orientation, disability, age, family status, or any other basis. Unlawful discrimination will not be tolerated.

Vinythai is also committed to respecting and supporting human rights with regard to its employees, the communities in which it operates and its business partners. The Company prohibits any kind of child labor or forced labor and takes seriously any indication that human rights are not properly protected within the workplace or that it may be complicit in any human rights violation. Employees are expected to understand the human rights issues that may be at stake in their workplaces and should prevent any violation of these rights.

Furthermore, the Company is strongly committed to the promotion and enhancement of the labor relations in the workplace by collaboratively working with the Welfare Committee, and the representatives of employees in the format of working groups and committees. By that way, the Company is developing trust and constructive relations between the employees, their representatives and the management. The employees are encouraged to have open dialogue between them, their representatives and the management to insure a mutual understanding and favorable relationships.





## 2) Develop People

In 2017, Vinthai has launched a new Leadership Development Program – “Outward Mindset”, developed by the Arbinger Institute, for 120 Managers and Engineers.

“Outward Mindset” is self-transforming program that enables our Managers to see beyond themselves and align with the organization higher purpose. Also, the program shifts the way they see, work and interact with others for great collaboration and results.

A shift in mindset is important in developing a positive change in our organization since it is believed that “mindset builds behaviors, behaviors builds results”, so beginning with the right mindset is the true foundation of building the essential behaviors that lead to successful change implementation.

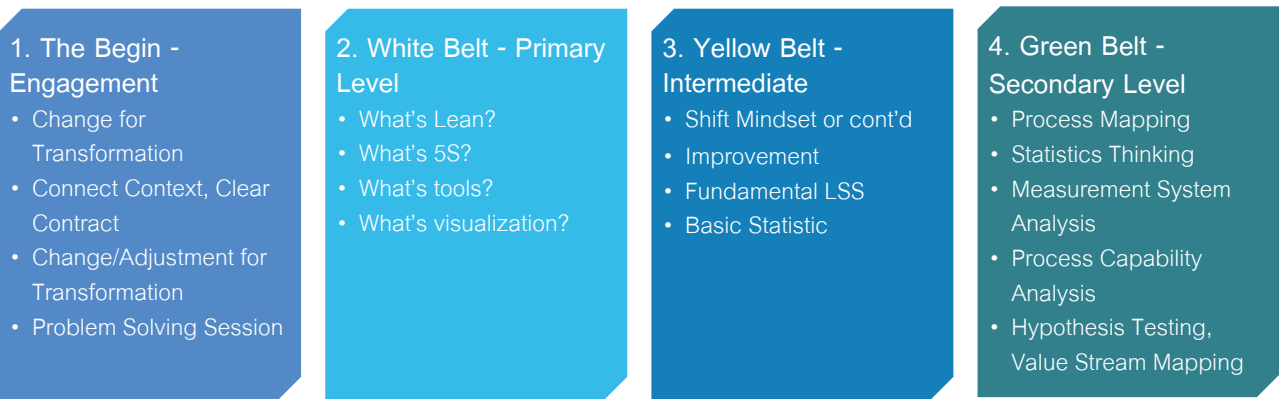
The program cultivates self-awareness to shift own mindset and engage the Managers in strong communication across the organization. “Outward Mindset” teaches them to listen and understand others. They learn to become accountable to impact from their day-to-day work in positive way. They are equipped with actionable tools to achieve win-win result for personal, mutual and organization goals.



## Excellence Training Program – Lean Six Sigma Series

To sustain a transforming operations and drive a performance culture at Vinylthai under continuous improvement mindset, our employees have been trained by Manufacturing Excellence tools, methodologies and programs to provide our employees with a systematic approach, the necessary tools and skills to solve their business and operation issues, and to institutionalize the systematic data-driven decision making process, root cause analysis, statistical data analysis for all aspects of the operations.

Excellence module program – **Lean Six Sigma Series** was deployed across the organizations with totally 49 Green Belts and 9 Black Belts.



In addition, in order to enhance the employees' awareness on energy conservation, more than 300 employees attended the **Basic Energy Conservation** sponsored by Bureau of Energy Human Resource Development at Practical Energy Management Center. Our employees learned about energy conservation on pump, boiler and steam trap and renewable energy on new design building.

In 2017, average learning days per employee is 4.5 days and training.

| Average Learning Days/Person | Cadre    | Non-Cadre |
|------------------------------|----------|-----------|
| 4.5 days                     | 5.4 days | 4.1 days  |

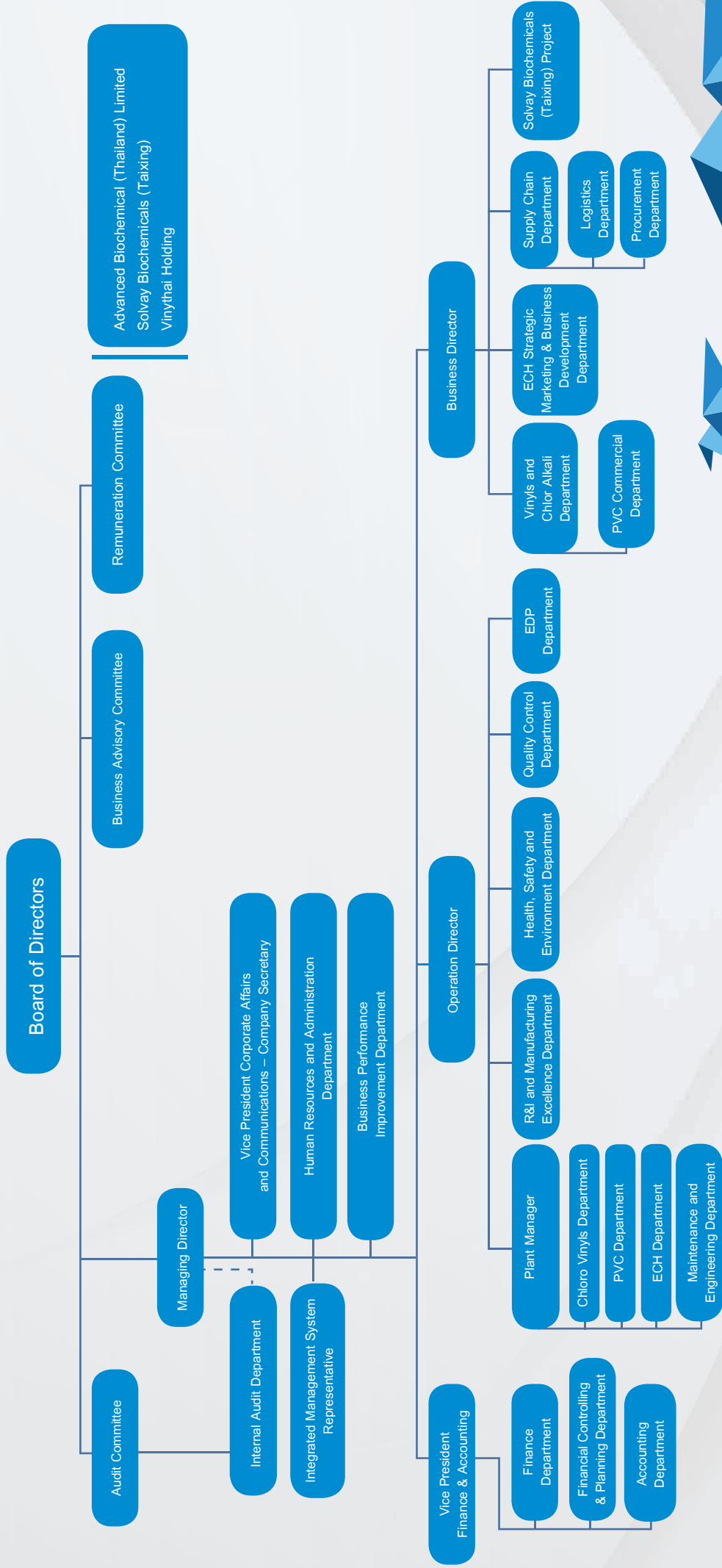




# MANAGEMENT STRUCTURE



# Organization Chart of Vinythai Public Company Limited





# BOARD OF DIRECTORS



## Educational Qualification

- Bachelor of Law, The University of Tokyo, Japan

Proportion of Shareholding (%) none

Family's Relationship Management none

## Work Experience in the past 5 years

### Positions in Listed Company on SET (1)

27 Apr 2017 - Present Chairman of the Board of Directors and Chairman of Nomination & Remuneration Committee, Vinythai Public Company Limited

### Positions in Non-Listed Company on SET (2)

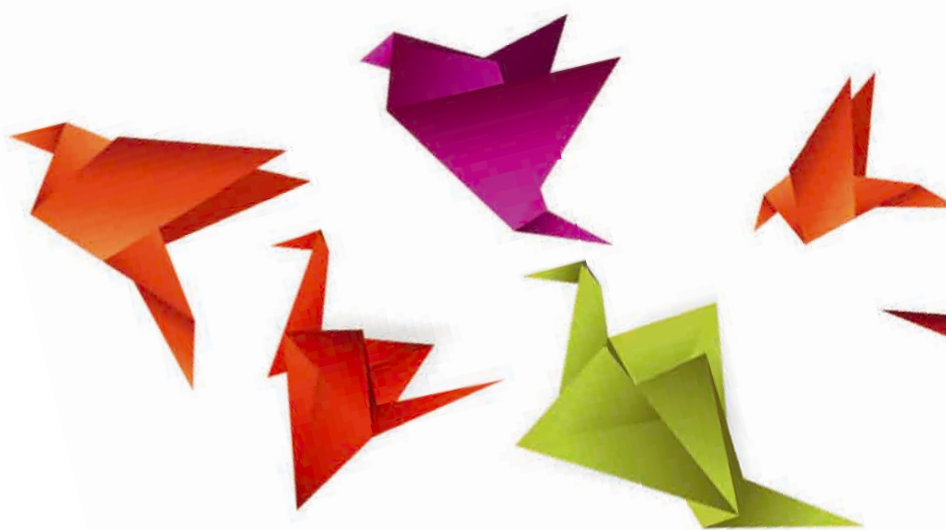
17 Mar 2015 - Present Commissioner, PT Asahimas Chemical, Indonesia

1 Jan 2015 - Present Executive Officer, GM of Essential Chemicals General Div., Chemicals Company, Asahi Glass Co., Ltd., Japan

## Mr. Kazuaki Koga (Age 58)

Chairman of the Board of Directors,  
Chairman of Nomination &  
Remuneration Committee,  
and authorized to sign to bind  
the Company

*\* appointed as Chairman of the  
Board of Directors and Chairman  
of Nomination & Remuneration  
Committee, with effect on  
27 April 2017*







## Mr. Narongsak Jivakanun (Age 48)

Vice Chairman of the Board of Directors, Member of Nomination & Remuneration Committee and authorized to sign to bind the Company

*\* appointed as Vice Chairman of the Board of Directors and Member of Nomination & Remuneration Committee, with effect on 21 September 2017*

### Educational Qualification

- Master of Science (Chemical Engineering), Oregon State University, Oregon, U.S.A.
- Bachelor of Engineering (Chemical Engineering), Chulalongkorn University

### Certificate

- Certificate in Director Certification Program (DCP) Class 165/2012, Thai Institute of Directors Association (IOD)
- Certificate in Executive Program on Energy Literacy for a Sustainable Future (TEA), Class 8, Thailand Energy Academy
- Certificate in TLCA Leadership Development Program (LDP) 1\_2013, Thai Listed Companies Association (TLCA) and International Institute for Management Development (IMD)

Proportion of Shareholding (%) none

Family's Relationship Management none

### Work Experience in the past 5 years

#### Positions in Listed Company on SET (4)

|                          |   |
|--------------------------|---|
| 21 Sep 2017 - Present    | Vice Chairman of the Board of Directors and Member of Nomination & Remuneration Committee, Vinythai Public Company Limited  |
| 1 Jan 2017 - Present     | Executive Vice President, Corporate Strategy, PTT Global Chemical Public Company Limited  |
| 1 Jan 2017 - Present     | Risk Management Committee, Global Green Chemicals Public Company Limited  |
| 17 Feb 2016 - Present    | Director, Global Green Chemicals Public Company Limited   |
| 1 Feb 2016 - 31 Dec 2016 | Senior Vice President, Corporate Strategy, PTT Global Chemical Public Company Limited   |
| 1 Oct 2014 - 31 Jan 2016 | Senior Vice President, International Strategy and Business Development reporting to Executive Vice President, International Business Operations, PTT Global Chemical Public Company Limited |

#### Positions in Non-Listed Company on SET (16)

|                           |  |
|---------------------------|--|
| 3 Jul 2017 - Present      | Chairman, PTT MCC Biochem Company Limited  |
| 2 Jun 2017 - Present      | Director, GC Polyols Company Limited   |
| 11 Apr 2016 - Present     | Director, PTT Phenol Company Limited   |
| 1 Jul 2015 - Present      | Director, PTTGC America Corporation  |
| 1 Jul 2015 - Present      | Director, PTTGC America LLC  |
| - Present                 | Director, Sermkij Textile Company Limited  |
| 25 Nov 2016 - 26 Jul 2017 | Director, PTT Digital Solutions Company Limited                                  |
| 1 Feb 2016 - 28 Feb 2017  | Director, PTT Chemical International Private Limited                             |
| 1 Jan 2010 - 31 Jan 2016  | Chief Executive Officer, PTT Chemical International Private Limited              |
| 1 Feb 2016 - 28 Feb 2017  | Director, PTT Chemical International (Asia Pacific ROH) Co., Ltd.                |
| 1 Jan 2010 - 31 Jan 2016  | Chief Executive Officer, PTT Chemical International (Asia Pacific ROH) Co., Ltd. |
| 2 Apr 2015 - 16 Nov 2016  | Director, Emery Oleochemicals (M) Sdn Bhd  |
| 2 Apr 2015 - 16 Nov 2016  | Director, Emery Specialty Chemicals Sdn Bhd                                      |
| 22 May 2012 - 26 Jan 2015 | Director, Vencorex Holding SAS   |
| 13 Jan 2011 - 14 Jul 2017 | Director and Compensation Committee, Myriant Corporation                         |
| 15 Dec 2011 - 30 Jan 2015 | Director, PTTGC International (Netherlands) B.V.                                 |
| 3 Mar 2011 - 23 Oct 2014  | Director, Bio Creation Company Limited   |
| 10 Nov 2010 - 11 Apr 2016 | Director, Bio Spectrum Company Limited   |





**Ms. Duangkamol  
Settanung  
(Age 58)**

Director and Chairperson of the Business Advisory Committee and authorized to sign to bind the Company

#### Educational Qualification

- Master of Business Administration, Thammasat University
- Bachelor of Science in Statistics, 1<sup>st</sup> Class Honors, Kasetsart University

#### Certificate

- Certificate in PTT Executive Program, GE Crotonville, U.S.A.
- Certificate in Director Certification Program (DCP) Class 155/2012, Thai Institute of Directors Association (IOD)
- Certificate in PTT Leadership Development Program III
- Certificate in Capital Market Academy, Class 26

Proportion of Shareholding (%) none

Family's Relationship Management none

#### Work Experience in the past 5 years

##### Positions in Listed Company on SET (5)

|                       |   |
|-----------------------|---|
| 17 Feb 2016 - Present | Director and Chairperson of the Business Advisory Committee, Vinythai Public Company Limited      |
| 1 Nov 2015 - Present  | Executive Vice President, Finance and Accounting, PTT Global Chemical Public Company Limited      |
| 1 Mar 2011 - Present  | Executive Vice President, PTT Public Company Limited  |
| Oct 2011 - Nov 2015   | Senior Executive Vice President, Corporate Accounting and Finance, IRPC Public Company Limited    |
| Feb 2011 - Oct 2011   | Executive Vice President, Finance & Accounting, PTT Aromatics and Refining Public Company Limited |
| Oct 2010 - Jan 2011   | Senior Vice President, Finance & Accounting, PTT Aromatics and Refining Public Company Limited    |
| Dec 2007 - Sep 2010   | Vice President, Corporate Strategy, PTT Aromatics and Refining Public Company Limited             |

##### Positions in Non-Listed Company on SET (9)

|                       |  |
|-----------------------|--|
| 19 Dec 2017 - Present | Director, GC Treasury Center Company Limited         |
| 2 Jun 2017 - Present  | Director, GC Polyols Company Limited                 |
| 2 Jun 2017 - Present  | Director, GC Oxirane Company Limited                 |
| 19 Apr 2016 - Present | Director, PTT Phenol Company Limited                 |
| 2 Mar 2016 - Present  | Director, Emery Specialty Chemicals Sdn Bhd          |
| 2 Mar 2016 - Present  | Director, Emery Oleochemicals (M) Sdn Bhd            |
| 18 Jan 2016 - Present | Director, PTTGC America LLC                          |
| 18 Jan 2016 - Present | Director, PTTGC America Corporation                  |
| 18 Jan 2016 - Present | Director, PTT Chemical International Private Limited |







### Mr. Pote Videtyontrakich (Age 64)

Independent Director and  
Member of Audit Committee

#### Educational Qualification

- M.B.A., Harvard Business School, U.S.A.
- B.A. in Economics, Yale University, U.S.A.

#### Certificate

- Certificate in Chairman 2000 Class 2/2001, Thai Institute of Directors Association (IOD)
- Certificate in Director Certification Program (DCP) Class 57/2005, Thai Institute of Directors Association (IOD)
- Certificate in Capital Market Academy (CMA 16) (April - August 2013)

Proportion of Shareholding (%) none

Family's Relationship Management none

#### Work Experience in the past 5 years

#### Positions in Listed Company on SET (1)

|                      |   |
|----------------------|---|
| 3 Aug 1999 - Present | Independent Director and Member of Audit Committee, Vinythai Public Company Limited |
|----------------------|---|

#### Positions in Non-Listed Company on SET (2)

|                    |  |
|--------------------|--|
| Sep 2014 - Present | Director, Viet - Uc Seafood Joint Stock Company        |
| Feb 2002 - Present | Co-Chairman, Private Equity (Thailand) Company Limited |



### Mr. Pipop Pruecksamars (Age 70)

Independent Director, Chairman  
of Audit Committee, and Member  
of Nomination & Remuneration  
Committee

#### Educational Qualification

- Bachelor's Degree, Industrial Engineering, Chulalongkorn University

#### Certificate

- Graduate Diploma, Environmental Technology and Management, Asian Institute of Technology
- Certificate, Program for Management Development, Harvard University
- Certificate in Audit Committee Program (ACP) Class 23/2008, Thai Institute of Directors Association (IOD)
- Certificate in Director Certification Program (DCP) Class 124/2009, Thai Institute of Directors Association (IOD)
- Certificate in Role of the Chairman Program (RCP) Class 28/2012, Thai Institute of Directors Association (IOD)

Proportion of Shareholding (%) none

Family's Relationship Management none

#### Work Experience in the past 5 years

#### Positions in Listed Company on SET (2)

|                           |   |
|---------------------------|---|
| 28 Nov 2017 - Present     | Independent Director, Member of Audit Committee, and Member of Nomination & Remuneration, Vinythai Public Company Limited |
| 24 Apr 2008 - 27 Nov 2017 | Independent Director, Chairman of Audit Committee, Vinythai Public Company Limited  |
| 1 Jan 2000 - 28 Feb 2005  | Director and Public Affairs Manager, Esso (Thailand) Public Company Limited   |

#### Positions in Non-Listed Company on SET (2)

|                          |  |
|--------------------------|--|
| 1 Mar 2005 - 31 Dec 2009 | Executive Director, Petroleum Institute of Thailand                      |
| 1 Oct 1997 - 28 Feb 2005 | Chairman and Managing Director, ExxonMobil Chemical (Thailand) Co., Ltd. |
| 1 Sep 1994 - 30 Sep 1997 | Managing Director, Thai Petroleum Pipeline Co., Ltd.                     |





**Mr. Andre R. van der Heyden**  
(Age 70)

Independent Director

#### Educational Qualification

- Master Degree in Metallurgical Engineering, Université catholique de Louvain, Belgium

Proportion of Shareholding (%) none

Family's Relationship Management none

#### Work Experience in the past 5 years

#### Positions in Listed Company on SET (2)

|                           |  |
|---------------------------|--|
| 29 Apr 2010 - Present     | Independent Director, Vinythai Public Company Limited      |
| 16 Apr 2008 - 13 Dec 2011 | Managing Director, Padaeng Industry Public Company Limited |
| 16 Nov 2000 - 30 Oct 2004 | Managing Director, Padaeng Industry Public Company Limited |

#### Positions in Non-Listed Company on SET (3)

|                          |  |
|--------------------------|--|
| 1 Dec 2005 - 10 May 2010 | Co-owner / Executive Director, Mali Mining & Metallurgy Pte. Ltd., Singapore |
| 1 Nov 2004 - 30 Nov 2005 | Project Director, Tenango Mining Co., Guatemala                              |
| 1 May 1993 - 15 Nov 2000 | Senior Vice President, UM Zinc/Umicore, Belgium                              |



**Associate Professor Danuja Kunpanitchakit, Ph.D.**  
(Age 64)

Independent Director, and  
Chairperson of Audit Committee

*\* appointed as Chairperson of Audit Committee, with effect on 28 November 2017*

#### Educational Qualification

- Doctor of Philosophy (Business Administration), University of Wisconsin-Madison, U.S.A.
- Master of Business Administration (Accounting), University of Wisconsin-Madison, U.S.A.
- Bachelor of Accountancy (First Class Honors, Gold Medal), Chulalongkorn University

#### Certificate

- Certificate in Director Accreditation Program (DAP) Class 98/2012, Thai Institute of Directors Association (IOD)
- Certificate in Audit Committee Program (ACP) Class 44/2013, Thai Institute of Directors Association (IOD)

Proportion of Shareholding (%) none

Family's Relationship Management none

#### Work Experience in the past 5 years

#### Positions in Listed Company on SET (1)

|                           |   |
|---------------------------|---|
| 28 Nov 2017 - Present     | Independent Director, and Chairperson of Audit Committee, Vinythai Public Company Limited |
| 25 May 2012 - 27 Nov 2017 | Independent Director and Member of Audit Committee, Vinythai Public Company Limited       |

#### Positions in Non-Listed Company on SET (4)

|                          |   |
|--------------------------|---|
| 27 Jul 2017 - Present    | Honorable Committee in Accounting, Federation of Accounting Professions |
| 4 Jan 2017 - Present     | Member of Audit Subcommittee, Deposit Protection Agency                 |
| 27 Feb 2014 - Present    | Member of Audit Committee, Bank of Thailand                             |
| 1 Apr 2008 - 17 May 2016 | Vice President (Finance and Accounting), Chulalongkorn University       |







### Mr. Hiroaki Sano (Age 52)

Director, Managing Director,  
and Member of Business Advisory  
Committee, and authorized to sign  
to bind the Company

*\* appointed as Managing Director,  
and Member of Business Advisory  
Committee, with effect on  
22 February 2017*

#### Educational Qualification

- Bachelor of Economics, Kobe University, Japan

Proportion of Shareholding (%) none

Family's Relationship Management none

#### Work Experience in the past 5 years

#### Positions in Listed Company on SET (1)

22 Feb 2017 - Present Director, Managing Director, and Member of Business  
Advisory Committee, Vinythai Public Company  
Limited

#### Positions in Non-Listed Company on SET (5)

27 Feb 2017 - Present Chairman, Advanced Biochemical (Thailand)  
Co., Ltd.

22 Feb 2017 - Present Chairman, Vinythai Holding Pte. Ltd., Singapore

22 Feb 2017 - Present Chairman, Solvay Biochemicals (Taixing) Co., Ltd.

4 Apr 2017 - Present Director, Pimai Salt Company Limited

1 Jan 2017 - 21 Feb 2017 Deputy General Manager, Strategy & Planning Office,  
Corporate Planning Div., Asahi Glass Co., Ltd., Japan

21 Feb 2012 - 31 Dec 2016 Deputy General Manager, Corporate Planning Group /  
Office of President, Asahi Glass Co., Ltd., Japan

5 Jun 2011 - 20 Feb 2012 Senior Manager, Corporate Planning Group / Office  
of President, Asahi Glass Co., Ltd., Japan



### Mr. Hiroaki Ono (Age 56)

Director and authorized to sign to  
bind the Company

*\* appointed as Director on  
27 April 2017*

#### Educational Qualification

- Bachelor of Commerce and Management, Hitotsubashi University, Japan

Proportion of Shareholding (%) none

Family's Relationship Management none

#### Work Experience in the past 5 years

#### Positions in Listed Company on SET (1)

27 Apr 2017 - Present Director, Vinythai Public Company Limited

#### Positions in Non-Listed Company on SET (5)

1 Apr 2016 - Present Member of the Board, President, AGC Chemicals  
(Thailand) Co., Ltd.

1 Apr 2016 - Present Director, Pimai Salt Co., Ltd.

1 Apr 2016 - Present Member of the Board, President, Surisa Ltd.

1 Apr 2016 - Present Vice Chairman, Thai Refined Salt Co., Ltd.





### Mr. Yoshihisa Horibe (Age 52)

Director and authorized to sign to bind the Company

*\* appointed as Director on 22 February 2017*

#### Educational Qualification

- Bachelor of Economics, The University of Tokyo, Japan

Proportion of Shareholding (%) none

Family's Relationship Management none

#### Work Experience in the past 5 years

#### Positions in Listed Company on SET (1)

22 Feb 2017 - Present Director\*, Vinythai Public Company Limited

#### Positions in Non-Listed Company on SET (3)

27 Feb 2017 - Present Managing Director, Advanced Biochemical (Thailand) Co., Ltd.

22 Feb 2017 - Present Director, Advanced Biochemical Europe

22 Feb 2017 - Present Director, Solvay Biochemicals (Taixing) Co., Ltd.

4 Apr 2017 - Present Director, Pimai Salt Company Limited

5 Oct 2015 - 21 Feb 2017 Director, PT Asahimas Chemical, Indonesia

24 Jan 2013 - 4 Oct 2015 Director, Business Planning, Essential Chemicals Div., Business Management General Div., Chemicals Company, Asahi Glass Co., Ltd., Japan

13 Feb 2011 - 23 Jan 2013 Director, Strategic Planning Div., AGC (China) Holdings Co., Ltd., China



### Mr. Tadashi Hiraoka (Age 58)

Director and Member of Business Advisory Committee, and authorized to sign to bind the Company

*\* appointed as Director on 22 February 2017*

#### Educational Qualification

- Master of Chemical Engineering, Osaka University, Japan
- Graduate School of Engineering Science, Osaka University, Japan
- Bachelor of Chemical Engineering, Hiroshima University, Japan

Proportion of Shareholding (%) none

Family's Relationship Management none

#### Work Experience in the past 5 years

#### Positions in Listed Company on SET (1)

22 Feb 2017 - Present Director, and Member of Business Advisory Committee\*, Vinythai Public Company Limited

#### Positions in Non-Listed Company on SET (2)

1 Jan 2017 - Present Executive Officer, General Manager of Technology Management General Div., Chemicals Company, Asahi Glass Co., Ltd., Japan

1 Dec 2014 - 30 Dec 2016 Plant Manager, PT Asahimas Chemical, Indonesia

21 Sep 2013 - 20 Nov 2014 Plant Manager, Chiba Plant, Asahi Glass Co., Ltd., Japan



# MANAGEMENT COMMITTEE



Mr. Hiroaki Sano  
Managing Director



Mr. Yoshihisa Horibe  
Business Director



Mr. Masaru Orihara  
Operation Director



Mrs. Jamjuree Sirovetnukul  
Vice President - Finance  
and Accounting



Mr. Sompot Cheeranorawanich  
Vice President Corporate Affairs  
and Communications - Company  
Secretary



Mr. Apichart Kijjaroenvisal  
Plant Manager



Mr. Boonchana Mangkonkarn  
Assistant Vice President -  
Supply Chain



# MANAGEMENT STRUCTURE

The Company's management structure comprises the Board of Directors and three other committees, namely the Business Advisory Committee, the Audit Committee and the Nomination and Remuneration Committee.

## Board of Directors Structure

### Structure of the Board of Directors

- The Board of Directors comprises at least 10 directors, not less than half of whom must have residence in Thailand.
- It is the policy of the Board of Directors that the Chairman and Chief Executive Officer or Managing Director should not be the same person. This is so as to ensure clarity of responsibilities for issuing governance policy and undertaking the Company's management.
- The Board of Directors is responsible to shareholders, with each director representing all shareholders and participating in the corporate governance of the Company with independence and neutrality, for the benefit of all shareholders and other stakeholders.
- The Board of Directors sets its own appropriate membership numbers and composition, including a proportion of independent directors that is equal to at least one-third of the total board size and numbering not less than three positions.
- At least one Independent Director should be knowledgeable in the matter of reviewing the Company's financial statements.
- The Directors may not be directors of more than five listed companies on the Stock Exchange of Thailand and must notify the Board of Directors of their positions for acknowledgement and approval.







## Characteristics and Qualifications of Directors

- Directors must be persons who have knowledge and experience that are beneficial to the Company's business and must understand and be interested in the Company's business.
- Directors must be qualified in accordance with Section 68 of the Public Company Limited Act, B.E. 2535.
- Directors must be recruited and approved by the Board of Directors.
- No Director shall engage in any business of the same nature as or coinciding with the business of the Company, either for their own benefits or for the benefits of others, unless they have notified the General Meeting of Shareholders prior to their appointment as director.
- Directors shall act in good faith, ethically and honestly.
- Directors shall be responsible and accept the obligation to fully perform their duties for the Company and interested parties, ethically and legally.
- Directors must use independent discretion that shareholders can trust.
- Directors must devote time and pay attention to the Company's affairs and regularly participate in the Company's meetings.
- Directors must comply with corporate governance guidelines set by relevant agencies.



As of 31 December 2017, the Board of Directors comprises 11 directors as follows:

|  |  |
|--|--|
| 1. Mr. Kazuaki Koga <sup>1/</sup>                              | Director /<br>Chairman of the Board of Directors /<br>Chairman of the Nomination and Remuneration Committee      |
| 2. Mr. Narongsak Jivakanun                                     | Director /<br>Vice Chairman of the Board of Directors /<br>Member to the Nomination and Remuneration Committee   |
| 3. Mr. Hiroaki Sano  | Director /<br>Managing Director /<br>Member to the Business Advisory Committee                                   |
| 4. Ms. Duangkamol Settanung                                    | Director /<br>Chairperson of the Business Advisory Committee   |
| 5. Mr. Tadashi Hiraoka <sup>1/</sup>                           | Director /<br>Member to the Business Advisory Committee  |
| 6. Associate Professor Dr. Danuja Kunpanitchakit <sup>2/</sup> | Independent Director /<br>Chairperson of the Audit Committee   |
| 7. Mr. Pipop Pruecksamars                                      | Independent Director /<br>Member to the Audit Committee /<br>Member to the Nomination and Remuneration Committee |
| 8. Mr. Pote Videtyontrakich <sup>2/</sup>                      | Independent Director /<br>Member to the Audit Committee  |
| 9. Mr. Andre R. van der Heyden                                 | Independent Director   |
| 10. Mr. Yoshihisa Horibe                                       | Director   |
| 11. Mr. Hiroaki Ono  | Director   |

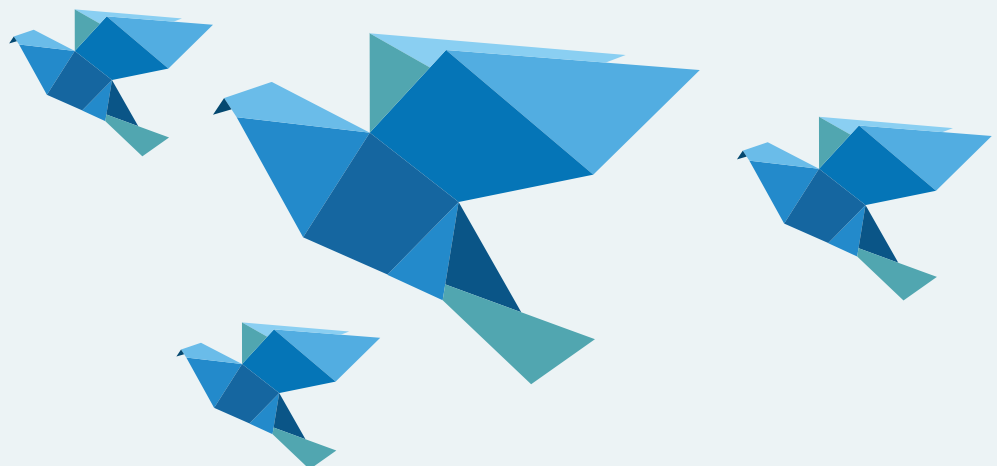
Note: <sup>1/</sup> Director whose residence is outside the Kingdom.

<sup>2/</sup> Declared as audit committee member with adequate expertise and experience to reliably review the accuracy and credibility of the Company's financial statements.



## Meeting of The Board of Directors

- At the beginning of the year, the schedule of the Board meetings shall be set in advance to allow the directors to arrange their calendar for attendance at every meeting. Special session of the meeting may be called by the chairman as deemed appropriate.
- Meetings of the Board of Directors shall be held at least once every three months.
- Not less than fifteen days prior to the meeting date, notice of the Board of Directors' meeting shall be given to each director or director's representative. The Company Secretary is responsible for ensuring that the Board of Directors receives adequate and timely information. The Company Secretary is responsible for ensuring that all directors receive relevant information at least seven days in advance in order to give them enough time to study the materials, consider the matters raised and reach appropriate decisions to be expressed at the applicable Board of Directors' meeting.
- At all meetings of the Board of Directors, quorum will be achieved with the attendance of at least one half of the total number of directors in office.
- Directors who have an interest in agenda items under consideration will be considered non-voting and shall not participate in that part of the meeting.
- Directors can access and request from the management information regarding the Company's operations. They can also request an opinion from the Company's independent external advisors at the Company's expense.
- The Chairman of the Board shall approve the matters to be included in the agenda in consultation with the Company Secretary. The Company Secretary will consider the directors' request to add other important matters for consideration at the next Board of Directors' Meeting.
- The Chairman is responsible for allocating sufficient time for management to present all information enabling the Board of Directors to fully discuss important issues.
- The Chairman of the meeting shall highlight items on the agenda for consideration by the directors and give necessary support and opportunity for each director to share his/her opinion in order to process ideas and reach a conclusive resolution by the meeting.





The record of Board of Directors meeting and committee meeting attendance for 2017 is as follows:

Meeting attendance / Total no. of meeting



| Name   | Board of Directors<br>Total 7 times/<br>year | Business<br>Advisory<br>Committee<br>Total 5 times/<br>year | Audit<br>Committee<br>Total 8 times/<br>year (including<br>the Non-<br>Management<br>meeting) | Nomination and<br>Remuneration<br>Committee<br>Total 3 times/<br>year |
|--|--|---|---|---|
| 1. Mr. Kazuaki Koga <sup>(1)</sup> , <sup>(2)</sup>    | 3/3  | -   | -   | 1/1   |
| 2. Mr. Narongsak Jivakanun <sup>(3)</sup>              | 2/2  | -   | -   | -   |
| 3. Ms. Duangkamol Settanung                            | 7/7  | 5/5   | -   | -   |
| 4. Mr. Tadashi Hiraoka <sup>(1)</sup> , <sup>(4)</sup> | 4/6  | 4/4   | -   | -   |
| 5. Mr. Yoshihisa Horibe <sup>(5)</sup>                 | 5/6  | -   | -   | -   |
| 6. Mr. Hiroaki Ono <sup>(6)</sup>                      | 3/3  | -   | -   | -   |
| 7. Mr. Hiroaki Sano <sup>(7)</sup>                     | 6/6  | 4/4   | -   | -   |
| 8. Associate Professor Dr. Danuja Kunpanitchakit       | 7/7  | -   | 8/8   | -   |
| 9. Mr. Pipop Pruecksamars                              | 7/7  | -   | 8/8   | 3/3   |
| 10. Mr. Pote Videtyontrakich                           | 5/7  | -   | 3/8   | -   |
| 11. Mr. Andre R. van der Heyden                        | 5/7  | -   | -   | -   |
| 12. Mr. Masaaki Kobayashi <sup>(8)</sup>               | 3/3  | -   | -   | 1/1   |
| 13. Mr. Shigenori Ishizuki <sup>(9)</sup>              | 1/3  | -   | -   | -   |
| 14. Mr. Vincent De Cuyper <sup>(10)</sup>              | 1/1  | -   | -   | 1/1   |
| 15. Mr. Vincenzo Morici <sup>(11)</sup>                | 1/1  | 1/1   | -   | -   |
| 16. Mr. Martin Laudenbach <sup>(12)</sup>              | 1/1  | -   | -   | -   |
| 17. Mr. Bruno van der Wielen <sup>(13)</sup>           | 2/2  | 1/1   | -   | -   |
| 18. Mr. Richard Verlaque <sup>(14)</sup>               | 2/2  | -   | -   | -   |
| 19. Mr. Supattanapong Punmeechaow <sup>(15)</sup>      | 1/5  | -   | -   | 1/2   |

Note: <sup>(1)</sup> Directors whose residence is outside the Kingdom.

<sup>(2)</sup> Appointed (from the Annual Ordinary General Meeting of Shareholders) as the Company's Director, Chairman of the Board of Directors and Chairman of the Nomination and Remuneration Committee, effective from 27 April 2017; therefore the directors' number of meeting are 3 times/year.

<sup>(3)</sup> Appointed as the Company's director, Vice Chairman of the Board of Directors and Member of the Nomination and Remuneration Committee, effective from 21 September 2017; therefore the directors' number of meeting are 2 times/year.



- (4) Appointed as the Company's Director and member of the Business Advisory Committee, effective from 22 February 2017; therefore the directors' number of meeting are 6 times/year.
- (5) Appointed as the Company's director, effective from 22 February 2017; therefore the directors' number of meeting are 6 times/year.
- (6) Appointed (from the Annual Ordinary General Meeting of Shareholders) as the Company's Director, effective from 27 April 2017; therefore the directors' number of meeting are 3 times/year.
- (7) Appointed as the Company's Director, Managing Director and member of the Business Advisory Committee, effective from 22 February 2017; therefore the directors' number of meeting are 6 times/year.
- (8) Appointed as the Company's Director, Chairman of the Board of Directors and Chairman of the Nomination and Remuneration Committee, effective from 22 February 2017 and resigned from the Company's director, Chairman of the Board of Directors and Chairman of the Nomination and Remuneration Committee, effective from 27 April 2017; therefore the directors' number of meeting are 3 times/year.
- (9) Appointed as the Company's director, effective from 22 February 2017 and resigned from the Company's director, effective from 27 April 2017 ; therefore the directors' number of meeting are 3 times/year.
- (10) Resigned from the Company's director, Chairman of the Board of Directors and Chairman of the Nomination and Remuneration Committee, effective from 22 February 2017; therefore the directors' number of meeting is 1 time/year.
- (11) Resigned from the Company's director and member of the Business Advisory Committee, effective from 22 February 2017; therefore the directors' number of meeting is 1 time/year.
- (12) Resigned from the Company's director, effective from 22 February 2017; therefore the directors' number of meeting is 1 time/year.
- (13) Resigned from the Company's director, Managing Director and member of the Business Advisory Committee, effective from 22 February 2017; therefore the directors' number of meeting are 2 times/year.
- (14) Resigned from the Company's director, effective from 22 February 2017; therefore the directors' number of meeting are 2 times/year.
- (15) Resigned from the Company's director, Vice Chairman of the Board of Directors and Member of the Nomination and Remuneration Committee, effective from 31 July 2017; therefore the directors' number of meeting are 5 times/year.
- Current Business Advisory Committee members are directors number 3, 4, and 7.
  - Current Audit Committee members are directors number 8, 9 and 10.
  - Current Nomination and Remuneration Committee members are directors number 1, 2, and 9.

## Committees

The Board of Directors has set up 3 committees to strengthen good corporate governance and support its administration as follows:

- (1) The Business Advisory Committee
- (2) The Audit Committee
- (3) The Nomination and Remuneration Committee



## Management Staff

As at 31 December 2017, the list of Management according to the definition of the SEC are as follows:

- |                                |  |
|--------------------------------|--|
| 1. Mr. Hiroaki Sano            | Managing Director  |
| 2. Mr. Yoshihisa Horibe        | Business Director  |
| 3. Mr. Masari Orihara          | Operation Director   |
| 4. Mrs. Jamjuree Sirovetnukul  | Vice President Finance and Accounting                                      |
| 5. Mr. Sompot Cheeranorawanich | Vice President Corporate Affairs and<br>Communications – Company Secretary |
| 6. Mr. Apichart Kitjaroanvisal | Plant Manager  |

### Finance Department Manager is as follows:

Ms. Naddawan Triyawathanyu : Finance Department Manager

### Accounting Department Manager is as follows:

Mr. Kittipong Jamsak : Accounting Department Manager

## Company Secretary

Mr. Sompot Cheeranorawanich, Vice President – Corporate Affairs & Communications has been appointed as the Company Secretary effective from 24 July 2008.

## Remuneration of Directors and Management

### Remuneration (money)

The Company has fixed a policy for remuneration of directors that entails maximum transparency. The remuneration is considered by the Nomination and Remuneration Committee and proposed to the Board of Directors to seek approval from the Company's shareholders. The remuneration of directors is set at a level that is appropriate within the industry. Any Board members who serve in various positions, in the Board, shall receive payment only from the position with the highest remuneration.

In 2017, the shareholders' meeting considered and approved monthly remuneration of the directors as follows:

- |   |                   |
|---|-------------------|
| - Chairman of the Board of Directors          | 70,000 Baht/month |
| - Vice Chairman                               | 50,000 Baht/month |
| - Chairman of the Business Advisory Committee | 65,000 Baht/month |
| - Business Advisory Committee                 | 60,000 Baht/month |
| - Chairman of the Audit Committee             | 65,000 Baht/month |
| - Audit Committee                             | 60,000 Baht/month |
| - Other Director                              | 30,000 Baht/month |





The Remuneration for the Board of Directors includes monthly remuneration and bonus. In 2017, the shareholders approved remuneration for the Board of Directors in the shareholders' meeting, including bonus payments based on the operational results for 2016. The total remuneration for the Board of Directors amounted to 6,876,667 Baht, inclusive of a total bonus payment of 6,780,000 Baht. Details are as follows:

Unit: Baht/year

| Name  | Position   | Remuneration | Bonus paid in 2016 | Total Remunerations and Bonus |
|---|--|--------------|--------------------|-------------------------------|
| 1. Ms. Duangkamol Settanung   | Director /<br>Chairperson of the Business Advisory Committee   | 780,000      | 529,294            | 1,309,294                     |
| 2. Associate Professor<br>Dr. Danuja Kunpanitchakit                         | Independent Director /<br>Chairperson of the Audit Committee   | 725,500      | 604,907            | 1,330,407                     |
| 3. Mr. Pipop Pruecksamars   | Independent Director /<br>Member to the Audit Committee /<br>Member to the Nomination and Remuneration Committee | 774,500      | 604,907            | 1,379,407                     |
| 4. Mr. Pote Videtyontrakich   | Independent Director /<br>Member to the Audit Committee  | 720,000      | 604,907            | 1,324,907                     |
| 5. Mr. Andre R. van der Heyden  | Independent Director   | 360,000      | 604,907            | 964,907                       |
| Directors who were appointed during the year 2017                           |  |              |                    |                               |
| 6. Mr. Masaaki Kobayashi <sup>(1)</sup><br>(resigned during the year 2017)  | Chairman of the Board of Directors /<br>Chairman of the Nomination and Remuneration Committee                    | 148,000      | -                  | 148,000                       |
| 7. Mr. Shigenori Ishizuki <sup>(1)</sup><br>(resigned during the year 2017) | Director   | 63,429       | -                  | 63,429                        |
| 8. Mr. Hiroaki Sano <sup>(2)</sup>  | Director /<br>Managing Director /<br>Member to the Business Advisory Committee                                   | 612,857      | -                  | 612,857                       |
| 9. Mr. Tadashi Hiraoka <sup>(2)</sup>                                       | Director /<br>Member to the Business Advisory Committee  | 612,857      | -                  | 612,857                       |
| 10. Mr. Yoshihisa Horibe <sup>(2)</sup>                                     | Director   | 306,429      | -                  | 306,429                       |
| 11. Mr. Kazuaki Koga <sup>(3)</sup>   | Chairman of the Board of Directors /<br>Chairman of the Nomination and Remuneration Committee                    | 567,000      | -                  | 567,000                       |
| 12. Mr. Hiroaki Ono <sup>(3)</sup>  | Director   | 243,000      | -                  | 243,000                       |
| 13. Mr. Narongsak Jivakanun <sup>(4)</sup>                                  | Vice Chairman of the Board of Directors /<br>Member of the Nomination and Remuneration Committee                 | 166,667      | -                  | 166,667                       |



| Directors who resigned during the year 2017      |  |           |           |            |
|--|--|-----------|-----------|------------|
| 14. Mr. Vincent De Cuyper <sup>(5)</sup>         | Chairman of the Board of Directors /<br>Chairman of the Nomination and Remuneration Committee    | 125,000   | 756,134   | 881,134    |
| 15. Mr. Bruno van der Wielen <sup>(5)</sup>      | Director /<br>Managing Director /<br>Member to the Business Advisory Committee                   | 107,143   | 604,907   | 712,050    |
| 16. Mr. Vincenzo Morici <sup>(5)</sup>           | Director /<br>Member to the Business Advisory Committee  | 107,143   | 604,907   | 712,050    |
| 17. Mr. Martin Laudénbach <sup>(5)</sup>         | Director   | 53,571    | 604,907   | 658,478    |
| 18. Mr. Richard Verlaque <sup>(5)</sup>          | Director   | 53,571    | 604,907   | 658,478    |
| 19. Mr. Supattanapong Punmeechaow <sup>(6)</sup> | Vice Chairman of the Board of Directors /<br>Member of the Nomination and Remuneration Committee | 350,000   | 604,907   | 954,907    |
| Directors who resigned during the year 2016      |  |           |           |            |
| 20. Ms. Puntip Oungpasuk <sup>(7)</sup>          | Director /<br>Chairperson of the Business Advisory Committee                                     | -         | 50,409    | 50,409     |
| Grand Total                                      |  | 6,876,667 | 6,780,000 | 13,656,667 |

Note: <sup>(1)</sup> Appointed as the Company's director effective from 22 February 2017 and resigned from the Company's director on 27 April 2017.

<sup>(2)</sup> Appointed as the Company's director effective from 22 February 2017.

<sup>(3)</sup> Appointed as the Company's director effective from 27 April 2017.

<sup>(4)</sup> Appointed as the Company's director effective from 21 September 2017.

<sup>(5)</sup> Resigned from the Company's director effective from 22 February 2017.

<sup>(6)</sup> Resigned from the Company's director effective from 31 July 2017.

<sup>(7)</sup> Resigned from the Company's director effective from 1 February 2016.

In addition to above, as resolved by the Nomination and Remuneration Committee, executive who served as the company secretary is entitled to receive an appropriate remuneration comprising total annual remuneration of 240,000 Baht for year 2017.

Remuneration of management is in conformity with the principles and policy set by the Board of Directors, which corresponds to the performance of the Company. The total 2017 remuneration for the 6 executives (as the definition of the SEC) was 40,753,098 Baht, such remuneration comprised salary and bonus.

## Remuneration (other)

- Other Remuneration for Director

-none-

- Other Remuneration for Management

Provident Fund

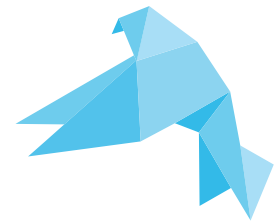
The Company provides pension support to employees by contributing to the provident fund at a level of 5% to 8% of basis salary.





# CORPORATE GOVERNANCE

## Corporate Governance Policy



The Board of Directors realize the importance of good corporate governance principles and lays strong emphasis on implementation and practices, believing that implanting good governance systems increases the Company's competitiveness and ensures sustained business growth while enhancing confidence in the Company among its shareholders, investors and other stakeholders. The Board of Directors, the Company's management and employees, rigorously adhere to good corporate governance principles and strictly comply with applicable laws and regulations of the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET). With an aim to continually improve corporate governance practices, the Company's management actively takes into account the recommendations of the SEC, the SET, and the Thai Institute of Directors Association (IOD). The Company creates and maintains awareness of good corporate governance practices and business conduct among its management and staff at all levels.

To ensure that Vinythai's businesses are conducted responsibly, ethically, fairly, transparently and accountably, with a clear focus on the creation of utmost benefits for the shareholders and stakeholders, towards mutual trust and sustainable growth, the Board of Directors has established the good corporate governance policy for all directors, managers, and employees to observe in their discharge of duties as follows:



(1) The Board of Directors observes the international guidelines and consistently improves the Company's corporate governance practices in accordance with these international standards in matters relating to consideration of the rights of shareholders, the equitable treatment of shareholders, the responsibilities to stakeholders, the disclosure of information and transparency, and the responsibilities of the Board of Directors.

(2) The Board of Directors, the managers and all employees are determined in their observance of the core of good corporate governance principles. Additionally, they need to ensure strict compliance with the laws and relevant regulations in all countries in which the company invests.

(3) The Board of Directors arranges for an administrative structure with fair relationship between the Board of Directors, the managers and the shareholders. They shall play a vital role in the determination of visions, strategies, policies and key plans. They shall ensure that a performance monitoring and evaluation system is in place, that risks are efficiently managed, that they are independent, and that they are responsible for their discharge of duties in accordance with the good corporate governance principles.

## Committees

The Board of Directors has set up three committees to strengthen good corporate governance and support its administration as follows:

### (1) The Business Advisory Committee

The Board of Directors Meeting No. 3/2013, held on 29 August 2013 resolved to create a "Business Advisory Committee" to supersede Executive Committee and expand the advisory roles on Strategic and Risk Management.

The Board of Directors' Meeting of the Company No. 3/2016 held on 14 July 2016, resolved the renew of members of the "Business Advisory Committee" for 3 years effective from 29 August 2016 to 28 August 2019.

As of December 2017, the Business Advisory Committee comprises the following members:

- |                              |             |
|------------------------------|-------------|
| 1. Miss Duangkamol Settanung | Chairperson |
| 2. Mr. Tadashi Hiraoka       | Member      |
| 3. Mr. Hiroaki Sano          | Member      |

Mrs. Jamjuree Sirovetnukul, Vice President Finance and Accounting, served as Secretary to the Business Advisory Committee.

*(Please see the more details in our website: <http://www.vinythai.co.th/media/www/index/10376321487605086.pdf>)*

(Business Advisory Committee Charter on page 29 - 33)





## (2) The Audit Committee

The Board of Directors Meeting No. 6/1999 held on 15 November 1999 appointed the “Audit Committee” whose qualifications comply with the SEC rules which define that the Audit Committee shall comprise at least three independent directors, and at least one of them must have sufficient knowledge understanding or experience in the field of accounting or finance.

The Board of Directors’ Meeting No. 6/2017, held on 21 September 2017, resolved the renew of members of the “Audit Committee” for 3 years effective from 27 November 2017 to 27 November 2020.

As of December 2017, the Audit Committee comprises the following members:

- |   |             |
|---|-------------|
| 1. Assoc. Prof. Dr. Danuja Kunpanitchakit | Chairperson |
| 2. Mr. Pipop Pruecksamars                 | Member      |
| 3. Mr. Pote Videtyontrakich               | Member      |

Dr. Supachat Chairatanathavorn, Internal Audit Department Manager, served as Secretary to the Audit Committee.

All members of the committee are evidently knowledgeable and competent persons with appropriate experience to perform their duties. Mr. Pote Videtyontrakich and Assoc. Prof. Dr. Danuja Kunpanitchakit, committee members possess adequate expertise and experience to review the reliability and creditability of the financial statements. Details of their qualifications and experience are disclosed in the Company’s Annual Report and Form 56-1.

*(Please see the more details of Audit Committee Charter in our website: <http://www.vinythai.co.th/media/file/ACChaaterRev-EngMay2016.pdf>)*

## (3) The Nomination and Remuneration Committee

The Board of Directors Meeting No. 3/2013, held on 29 August 2013 resolved to extend the roles of the “Nomination and Remuneration Committee” to also consider and recommend for the development of Senior Management (Vice President Level up).

The Board of Directors’ Meeting of the Company No. 3/2016 held on 14 July 2016, resolved the renew of members of the “Nomination and Remuneration Committee” for 3 years effective from 29 August 2016 to 28 August 2019.

As of December 2017, the Committee comprises of existing members as follows:

- |                            |          |
|----------------------------|----------|
| 1. Mr. Kazuaki Koga        | Chairman |
| 2. Mr. Narongsak Jivakanun | Member   |
| 3. Mr. Pipop Pruecksamars  | Member   |

Mr. Sompot Cheeranorawanich, Vice President Corporate Affairs and Communications – Company Secretary, served as Secretary to the Nomination and Remuneration Committee.

*(please see the more details in our website: <http://www.vinythai.co.th/media/www/index/10376321487605086.pdf>)*

(Nomination and Remuneration Committee Charter on page 40 - 44)

## Nomination and Appointment of Directors and Top Management

### Independent Directors

The Company’s independent directors possess qualifications as prescribed under the SEC regulations as follows:

- 1) holding shares not exceeding one percent of the total number of voting rights of the Company, its parent company, subsidiary, affiliate or juristic person which may have conflicts of interest, including the shares held by related persons of the independent director;
- 2) neither being nor having been an executive director, employee, staff, or advisor who receives salary, or a controlling person of the Company, its parent company, subsidiary, affiliate, same-level subsidiary or juristic person who may have conflicts of interest unless the foregoing status has ended not less than two years prior to the date of application filing with the Office;



3) not being a person related by blood or registration under laws, such as father, mother, spouse, sibling, and child, including spouse of the children, executives, major shareholders, controlling persons, or persons to be nominated as executive or controlling persons of the Company or its subsidiary;

4) not having a business relationship with the Company, its parent company, subsidiary, affiliate or juristic person who may have conflicts of interest, in the manner which may interfere with his independent judgement, and neither being nor having been a major shareholder, non-independent director or executive of any company having business relationship with the Company, its parent company, subsidiary, affiliate or juristic person who may have conflicts of interest unless the foregoing relationship has ended not less than two years prior to the date of application filing with the Office;

5) neither being nor having been an auditor of the Company, its parent company, subsidiary, affiliate or juristic person who may have conflicts of interest, and not being a major shareholder, non-independent director, executive or partner of an audit firm which employs auditors of the Company, its parent company, subsidiary, affiliate or juristic person who may have conflicts of interest unless the foregoing relationship has ended not less than two years from the date of application filing with the Office;

6) neither being nor having been any professional advisor including legal advisor or financial advisor who receives an annual service fee exceeding two million Baht from the Company, its parent company, subsidiary, affiliate or juristic person who may have conflicts of interest, and neither being nor having been a major shareholder, non-independent director, executive or partner of the professional advisor unless the foregoing relationship has ended not less than two years from the date of application filing with the Office;

7) not being a director who has been appointed as a representative of the Company's director, major shareholder or shareholders who are related to the Company's major shareholders;

8) not having any characteristics which make him incapable of expressing independent opinions with regard to the Company's business affairs.

### Directors and Top Management

The Nomination and Remuneration Committee is responsible for considering candidates deserve a nomination as new directors, Chief Executive Officer or Managing Director, including consideration and advising on the development of various aspects of the Vice President level and above. The Rules and Procedures for the Nomination are established the best criteria and transparency to be presented to the Board of Directors and/or the shareholders' meeting for approval.

### Rules and Procedures for the Nomination of Director(s), Independent Director(s) and Audit Committee Member(s)

1. In case of any vacancy for a Director, Independent Director or Audit Committee Member, the Nomination and Remuneration Committee shall nominate a qualified candidate who does not possess any prohibited characteristics to serve as Director, Independent Director or Audit Committee Member and propose to the Board of Directors' Meeting for consideration and approval of the appointment.
2. Any director has the right to propose the name of a qualified candidate to the Nomination and Remuneration Committee within the time frame for consideration, including preliminary qualification check, before proposing such person to the Board of Directors' Meeting for consideration and approval of appointment.
3. Any major shareholder has the right to propose the name of a qualified candidate to the Nomination and Remuneration Committee within the allotted time frame for consideration, including preliminary qualification check, before proposing the person to the Board of Directors' Meeting for consideration and approval of appointment.





4. The Nomination and Remuneration Committee will announce the time frame for proposing the name of a qualified candidate who meets all requirements to serve as a Director, Independent Director or Audit Committee Member.
5. Any time the Nomination and Remuneration Committee identifies a qualified candidate or candidates meeting all characteristics, to serve as a Director, Independent Director or Audit Committee Member, the Nomination and Remuneration Committee shall forward the resume(s) of the proposed qualified candidate(s) to the Company Secretary to conduct a preliminary check of the candidate(s) qualifications.
6. Once the Company Secretary has checked the proposed candidate(s) qualifications, the Company Secretary will prepare a summary report and propose the candidate to the Nomination and Remuneration Committee for its consideration and resolution. If it agrees with the proposal, the Nomination and Remuneration Committee will propose the candidate for consideration and approval by the Board of Directors' Meeting.
7. Once the Board of Directors' Meeting has approved the appointment, the Company Secretary will be responsible for disclosure to or registration with the Stock Exchange of Thailand (SET), Securities and Exchange Commission (SEC), Ministry of Commerce and/or any related organizations. The Company Secretary will compose a profile of the Director in compliance with the relevant rules and/or laws.
8. In case of any vacancies for Directors, Independent Directors or Audit Committee Members arising otherwise than by rotation, and the remaining term of office of such Directors, Independent Directors and Audit Committee Members being less than two months, the Board of Directors' Meeting will propose replacement candidate(s) to the Shareholders' Meeting for consideration and approval.

Once the Shareholders' Meeting has approved the replacement, the Company Secretary will be responsible for disclosure to or registration with the SET, SEC, Ministry of Commerce and/or any related organizations. The Company Secretary will be responsible for composing a profile of the director in compliance with the relevant rules and/or laws.

The Board of Directors resolved to propose the shareholders' meeting to elect new directors in place of those to be retired by rotation and amend the authority of directors (in case there is a change in directorship). The shareholders' meeting will resolve by a simple majority vote, in accordance with the following rules and methods:

1. Each shareholder shall have votes equal to the number of shares held.
2. Each shareholder may exercise all the votes he has under item 1 to elect one or several persons as directors, but may not allot his votes to any person at any number.
3. The persons receiving the highest number of votes, in their respective order of the votes, shall be elected as directors according to the number of directors that the Company may have or the number that are to be elected at such meeting. Where the votes cast for candidates in descending order are tied, which would cause the number of directors that the Company may have or that are to be elected at such a meeting to be exceeded, the Chairman of that meeting shall have a casting vote.

### Good Corporate Governance of its Subsidiaries and Associates

Nomination and appointment for a director of the subsidiaries and the associates must be approved by the Company's Board of Directors. Such director is responsible to act at the optimum interest of the Company. Moreover, prior to proceeding of any important issue(s) of the subsidiaries, it should get approval from the Company's Board of Directors.



In addition, the Vinythai Board has directed several important policies of the subsidiaries such as Management policies, Financial Accounting policies, Management policy on Safety, Health and Environment, CSR policy and HR management policies. It also ensures that those policies are consistent with the requirements and regulations of the Securities and Exchange Commission, Thailand and related laws.

### Control on the Use of Internal Information

Considering the supervision of the usage of inside information, the Company has established control measures related to the use of internal information and stipulated the measures in the Corporate Governance Charter and Code of Conduct.

In addition, the Company has established policy about the protection of company confidential information. A measure of protection of the Company's confidential information has been stipulated as a standing instruction for all employees at all level to comply with. Failure to control and protect the Company's confidential information is breach of employment duties, and grounds for disciplinary action, up to, and including termination of employment. Disclosure or use of Company confidential information without authorization is illegal and may subject an employee to civil or criminal liability.

To ensure the security of the information, the Company has put in place and developed the Information Technology system to secure the accessibility to the Company's information. As such, the IT system prevents the accessibility to the Company's confidential and important information from external parties, and gives the rights for accessibility to confidential and important information properly classified for units in line with their works and responsibilities.

### Audit Fee

#### (1) Audit Fee

The Company paid the audit fee to the auditor in the past fiscal year in the amount of THB 2,110,000.-

#### (2) Non-Audit Fee

The Company paid the non-audit fee for corporate income tax review and other services in the past fiscal year in the amount of THB 1,465,000

### Compliance with Good Corporate Governance Principles in Other Matters

With the aim of further strengthening its governance systems, the Company has continued to rigorously implement action plans that reinforce its compliance with the principles of good corporate governance for the listed companies.

#### 1. Rights of Shareholders

The Company respects the right of shareholders equally and ensures that all shareholders are fully entitled to exercise their fundamental rights. These include: the rights to buy, sell, or transfer shares, ownership rights to participate in shareholders' meeting; voting rights to elect board members and approve directors' remuneration; the right to receive dividends; the right to express opinions freely, etc. The Company also regularly discloses its information through the SET channel, publications and its website, including organizing activities for shareholders such as invitation to plant visit and coral cultivation using PVC pipes. The Company enhances the exercise of rights and does not infringe upon or curtail those rights. Shareholders are actively encouraged to exercise their rights, as follows:

#### Prior to the Annual General Meeting of Shareholders (AGM)

- Following the Board of Directors' resolution dated 17 March 2017 to call an Annual Ordinary General Meeting of Shareholders, the Company, on the same day, announced a meeting schedule along with the agenda through the SET's communication channels and the Company's website.

- Prior to the shareholders' meeting, the Company prepared a notice to call the shareholders' meeting both in Thai and English specifying the date, time and venue of the meeting, along with an agenda





including the respective opinion of the Board of Directors pertaining to each item:

- Agenda items considered at the meeting included: the Company's annual operating results and dividend payment; the appointment of an auditor and consideration of the auditing fees; appointment of new directors in place of those to be retired by rotation; and remuneration for the Board of Directors.
- The notice of the shareholders' meeting and the agenda included significant and sufficient detailed information; and were distributed together with: a map clearly indicating the meeting venue; a barcode registration form; a copy of the Company's most recent annual report; a copy of the minutes of the previous shareholders' meeting; a copy of the Company's Articles of Association relating to the shareholders' meeting; the names of directors to be retired by rotation and those proposed to be reappointed for another term; proxy forms containing name and details of independent director, appointed as proxy, and details about the credentials each shareholder needs to bring to the meeting.
- Concerning director nominations, the Company specified type of directors proposed for approval and provided their relevant personal records, including shareholding (if any), meetings attendance record and years of service with the Company. Particularly for the nomination of independent director, the Company pays significant attention to follow the SEC regulation.
- The Company designated Thailand Securities Depository Co., Ltd., its share registrar, to distribute the notice of shareholders' meeting and relevant documents as above-mentioned, to shareholders. The distribution took place 19 days in advance of the meeting day in order to allow shareholders sufficient time to consider proposed meeting agenda items. The Company disclosed the notice of shareholders' meeting and accompanying documents on its website

31 days ahead of the meeting and communicated such disclosure through the SET channels. The Company also publicized the notice to call a shareholders' meeting in Thai daily newspapers for 3 consecutive days prior to the meeting.

- To enhance the rights of shareholders, the Company allowed shareholders to propose agenda items prior to the meeting day. The Company notified shareholders accordingly through the SET channels and the Company's website including clear explanation of criteria and consideration procedures, as well as a form for proposing agenda made available in the Company's website.

#### On the AGM Day

- For the convenience of shareholders on the meeting day, the Company implemented a barcode system for registration, recording attendance of the participants, and vote-counting. The barcode system significantly accelerated these processes and enhanced the convenience of the shareholders.
- Upon registration, the Company also provided shareholders with ballots for each agenda items and encouraged them to cast their votes, especially those wishing to vote against or abstain on any item.
- The shareholders' meeting starts when there is a quorum, based on both shareholder attendance and proxies. Prior to the meeting, the Company introduced its directors, management, the Company's auditor, legal advisor, and explained the procedures for voting, counting of votes and result of vote counting. Resolutions of the meeting are passed by a vote of the attending shareholders and proxies on the basis of 1 share 1 vote. Procedures for voting and counting of votes are as follows:
  - 1) A shareholder may vote in favor of, against, or abstain from voting for each agenda item, in the ballot received upon registration.
  - 2) When the Chairman requests the meeting to put a vote to any resolution to, the Chairman will first ask



the meeting whether there would be an objection from any shareholders to the proposed resolution. If there is no objection (in which case no ballot will be used), it shall be deemed that the meeting passes an unanimous resolution approving what has been proposed. The Chairman will then state that the meeting passes an unanimous resolution for that agenda item.

3) If a shareholder votes against or abstains from voting on any agenda item, the Chairman will request him or her to mark the ballot and raise his or her hand for the official to collect the ballot.

4) Only the votes cast by shareholders voting against or abstaining shall be counted. The votes of disagreement or abstention shall be deducted from all the votes of those attending the meeting, and the remaining votes shall be deemed to have agreed with the proposal for the relevant agenda item.

5) The voting method for the agenda of appointment of directors will be on a person by person basis. The ballots will be collected from the shareholders for the vote cast for each director separately, whether for, against or abstain from voting.

6) Where a shareholder has appointed a proxy and has casted his or her votes in the instrument appointing the proxy, the votes shall be counted as marked by the shareholder. If the shareholder does not indicate his intention, and the proxy does not vote against, such shareholder shall be deemed to vote for that resolution.

With due transparency, the Company announces the result of the vote on each agenda item at the meeting, enumerating the votes for and against and abstentions. The result of each vote is displayed together with the percentage of affirmative votes out of the total number of shares held by the shareholders present.

- The Board members participating in the meeting included the Managing Director, Chairman of the Audit Committee, Chairperson of the Business

Advisory Committee, Independent Director and other Board members totaling 7 persons. The Managing Director acted as chairman of the meeting. In addition, the Company's auditor and concerned Management were present to answer shareholders' inquiries and provide any clarifications required. To facilitate the shareholders' understanding, a professional interpreter was provided to help translating messages and information discussed in the meeting in Thai Language. The Chairman of the meeting allowed adequate time for the meeting to proceed and equal opportunities for all shareholders to examine the Company's operations. To ensure that shareholders have sufficient information, they were encouraged to express their opinions, make recommendations and raise questions on agenda items before casting votes. In addition, after the meeting adjourned, directors, management, and the shareholders informally discussed relevant matters and exchanged views.

- Shareholders are permitted to register their attendance and exercise the right to vote on still pending agenda items after the meeting starts.

- The Company conducted the shareholders' meeting in accordance with the sequence of agenda items as specified in the notice of shareholders' meeting. When conducting the meeting, the Company neither switched the agenda nor added any items to the agenda specified in the notice of shareholders' meeting.

- The Company distributed ballots to the shareholders to vote against or abstain from voting on any agenda item. Concerning the election of directors, the Company allowed shareholders to cast separate votes for individual directors whether for, against or abstain from voting. Lawyers from Chandler MHN Company Limited also attended the meeting to oversee proceedings, and assure transparency with respect to ballots and vote counts and compliance with relevant laws and regulations and the Company's Articles of Association.





### After the AGM Day

- The Company notified the resolutions of the Shareholders Meeting after the Shareholders Meeting through SET Portal. The resolution stated the results of the vote and the voting results on each agenda.
- All significant inquiries were recorded in the minutes of the meetings, together with attendance of directors, key issues discussed, Management responses and vote counts on each agenda item where votes were taken.
- The meeting minutes were prepared accurately and in their entirety, both in Thai and English. They were submitted to the SET within 14 days after the date of shareholders' meetings, and posted on the Company's website for shareholders to examine without having to wait until the next shareholders' meeting. In addition, to ensure the transparency, the meetings were videotaped by the Company with copies available to shareholders on request.

The Company's management is fully cognizant of how an effective shareholders' meeting is constituted. As such, it continually promotes and supports the rights of shareholders prior to, during and after the shareholders' meeting in accordance with the Annual General Meeting (AGM) Checklist initiated by the SEC, with joint support by Thai Investors Association. As a further indication of the Company's commitment to shareholder rights, the management reviewed the assessment findings of the AGM Checklist and find ways to correct areas where the need for improvement was indicated.

## 2. Equitable Treatment of Shareholders

The Company provides equitable treatment to all shareholders. The shareholders' meetings are conducted in strict compliance with the applicable legal framework, including rules and regulations of the SET, the SEC, and the Company's Articles of Association. This applies to every aspect of arranging

and conducting meetings, from sending out invitations to distributing meeting documents and communicating meeting agenda to all concerned. Meeting procedures and submissions of reports is in full compliance with the SET and the SEC regulations. Shareholders can appraise themselves of the Company's Articles of Association by accessing through the Company's website.

**The Company values and treats all shareholders fairly through the following actions.**

- The Company fully facilitates the attendance of shareholders at every shareholders' meeting by organizing the meeting according to a convenient schedule, at a convenient time and at a convenient venue.
- The Company provides shareholders with the option of appointing a proxy to attend the shareholders' meeting on their behalf. Any shareholder who is unable to attend the meeting also has the option of delegating their votes to an independent director. In order to facilitate the shareholders' authorization of a proxy according to their wishes, proxy forms are provided in various forms and distributed to the shareholders including the proxy in the format that the shareholders can specify the voting direction for each agenda. Considering the supervision of the utilization of inside information, as stipulated in its Code of Conduct, the Company practices effective safeguards against the abuse of inside information, including internal controls and monitoring systems tailored to each business unit and scenario. The Company prohibits executives or concerned departments who receive inside information from disclosing corporate data to the public or outside parties and requires them not to misuse their positions and confidential information to which they are privy for their own advantage. The employees are prohibited from utilizing the Company information or news which has not been disclosed to the public and may be material to the Company share price, with the purpose of seeking profit or benefitting from trading the Company's stock, whether directly or indirectly. Strict implementation of



these preventive measures has resulted in no insider trading violations arising.

- The Board of Directors specified that Board members and Management must disclose any changes in their securities holdings to the SEC in accordance with Section 59 of the Securities and Exchange Act B.E. 2535. In case of purchase, sale, or transfer of securities, Board members and Management shall report changes in their applicable securities holding to the SEC and the SET. In addition, any changes in directors' shareholding shall be reported to the Board of Directors' meetings. The Board of Directors and Management shall submit one copy of the securities disclosure to the Company for record.

- The Company disclosed complete information about the shareholding of the Company's directors and management as defined by the SEC regulation, including their spouse and minor children (if any) in the annual report.

- Any director or management, who may have a vested interest in any transaction or matter directly affecting the Company, should not participate in the decision making process on such issue.

- Each year, the Company arranges the activities for Shareholders to visit the Plant and participation of the Coral Cultivation, 80,000 branches, for His Majesty the King project to support the growing corals with PVC pipe.

### 3. Role of Stakeholders

The Board of Directors has fully appreciated the value of the support of all groups of stakeholders, recognizing that they all contribute to the Company's competitiveness and corporate profits. Thus, the Corporate Governance Charter approved by the Board of Directors promotes practices towards each of various groups of stakeholders. Moreover, the Company's Code of Conduct also includes practices toward shareholders, customers, employees, and business partners, which the management and all employees shall follow so as to uphold consistent standard of conduct.

As it is understood that the participation of stakeholders can have a positive effect on the Company on an on-going basis, considerable effort is made to safeguard the interests of each group as follows:

#### Shareholders

Vinythai drives the sustainable growth of the Company and creates continuous profits by conducting business with care and transparency, so as to generate competitive, long-term value for shareholders.

#### Board of Directors and Management

The Company's Board of Directors and Management are aware of their rights, exercise their duties within the frameworks and models defined by the Company, and apply the rules of equity and fairness of all stakeholders.

#### Employees

The Company realizes the value of every employee and enables its employees to have pride in the organization by providing working environments designed to maximize participation and opportunities for career advancement. The Company encourages employees to develop their ability to thoroughly and continually create value and maintain business excellence by:

- Offering equal employment opportunity, respect for human rights and respect employee's right, and developing and fully realizing employees' potential in performing their tasks and duties. The Company also implements equitable employment conditions and maintains a safe and conducive working environment. A welfare committee comprising representatives from the management and employees monitors and reviews employee benefits to ensure the employees welfare is adequate and secures for them the parity with the industry.

- Providing training and employee development opportunities at all levels. Employees are encouraged to develop thorough knowledge and competencies so as to continuously upgrade both the ability of the organization and its capacity in each work area.





- Providing seminars and trainings for all employee levels in order to gain the knowledge and understanding in respect to the environment including creation of the awareness in protection of natural resources and environment within the community and the public.
- Promoting two-way communications within the whole Company and making employees proud to work for the organization.
- Providing suitable welfare for all levels of employees.
- Placing at the top of all priorities, hygiene, safety and environment in the workplace.

### Customers

The Company is resolved to deal promptly with customer claims. Moreover, it strives to achieve high customer satisfaction, promotes sound relations based on respect for customer interests and is committed to continually developing products and services that add value to the customer. The Company takes full responsibility for consistently providing good-quality products and services at reasonable prices. The Company also provides comprehensive and accurate information concerning its products and services in conjunction with professional advice on product selection and utilization. Moreover, the Company actively consults with customers to find the best ways to mitigate any potential harmful impacts from utilization of its products and jointly develops products with customers that optimize their business growth while safeguarding public health and the environment. Also with the objective of maintaining sustainable relationships with its customers, the Company regularly organizes Customer Relationship Management (CRM) activities and conducts customer satisfaction surveys.

### Creditors

The Company treats all creditors equally and is fully cognizant of its accountability to creditors and its obligation to ensure that its conduct strictly adheres to contractual commitments and financial obligations. To ensure that all creditors are kept up-to-date with relevant financial information, the Company submits

its financial statement to all creditors on a quarterly and annual basis. Furthermore, the Company's internal procedures ensure that it is open equally to all creditors to offer competitive pricing and services. In addition, the Company can only accept new credit facilities offered by any financial institution after they are proposed to and approved by resolution of the Board of Directors.

### Business Partners

The Company obliges directors, executives and employees involved in leasing, hiring, purchasing or selling property or goods or services of all kinds to act strictly in the Company's best interests based on accurate, actual information that does not mislead lessors, leaseholders, buyers or sellers of assets, products or services with information that is incomplete or insufficiently accurate. Involved executives and employees do not accept gifts or any other remuneration unless it is a traditional practice, in which cases such gifts or remuneration should not be of such high value as to invite censure or prompt special consideration in the future.

### Business Alliances

The Company is committed to compliance with agreements made with its business partners in a manner that is mutually beneficial to the overall business.

### Competitors

The Company supports and encourages free and fair competition, always behaving in accordance with accepted rules of etiquette and good competition within the framework of the law.

### Community, Society and Environment

The Company conducts itself as a good corporate citizen and operates its business in accordance with its well-recognized duties and responsibilities to the community, society and the environment.

In addition, the Company is fully conscious of its responsibilities to the Thai society and societies



of host countries, with its prime concern to develop and strengthen communities towards sustainable self-sufficiency resulting in economic prosperity and social harmony throughout the country. The Company encourages its employees to be aware of their social responsibilities in both their work and daily lives, including:

- Creating business practices and implementing activities that are responsible and beneficial to society, both in the short and long term, and focusing on business transactions with trade partners who share common intentions regarding social and environmental responsibility.
- Supporting learning and skills development among youths and the public and promoting awareness of natural resource and environment preservation in communities and Thai society.
- Providing correct information, creating understanding, and listening to problems and information about impacts on surrounding communities with a view to implementing appropriate solutions, all based on the principle of co-existence between the Company's plants and communities for mutual benefit and without conflict.
- Supporting beneficial activities, especially in areas where the Company's businesses are located, taking into consideration suitability and providing sustainable benefits to society and communities.
- Supporting public activities and national development policy for the country's benefit as a whole.
- Considering how to utilize natural resources with minimum impact on society, the environment and quality of life.

#### Public Sectors

The Company is resolved to fully conform to all relevant laws and regulations without reservation.

#### Suggestions and / or Complaints

To improve the Company's services, customers, employees and any person can make recommendations or comments or complaints related to the Company through the following:

- Audit Committee, <http://www.vinythai.co.th/en/home/3/Contact%20us/2/>
- The Company's website or [www.vinythai.co.th](http://www.vinythai.co.th)

#### 4. Disclosure and Transparency

The Company is committed to providing equal treatment to shareholders, financial institutions, securities companies, investors and others who use financial information, with emphasis on open, accurate, complete and timely data that does not discriminate either positively or negatively. However, the Company realizes the need to keep secret certain vital business information, including its operational strategies. Disclosure is governed by the relevant rules and regulations of the Stock Exchange of Thailand and the Securities and Exchange Commission, Thailand.

Disclosure of information includes but is not limited to annual disclosures of information (Form 56-1), the Company's annual report (Form 56-2), quarterly reports, any minutes of meeting, news, press releases, letters to shareholders, information on the Company's website, information provided through various media, and interviews with the media and press conferences, etc.

#### • Disclose and Transparency

The Board of Directors is well aware of its responsibility for the integrity of the Company's financial information. As such, the Board maintains effective internal control systems that ensure the accuracy and completeness of the Company's bookkeeping as well as adequacy of measures to safeguard the Company's assets. Recognizing the right of shareholders and investors to receive adequate and reasonable notification of the Company's financial status, the Company prepared the "Responsibility Statement from the Board of Directors on Disclosure of the Financial Report" and presented it both in Thai and in English in a separated item in its Annual Report and Form 56-1. The Board of Directors also ensures that the financial information is disclosed completely, correctly and in timely manner in line with the SET's regulations.





To ensure equitable treatment to all stakeholders, in addition to disclosing information as specified in relevant regulations through the SET's channel, the Company also discloses information such as the Company's news, its vision, mission and values, Articles of Associations, corporate governance policy, corporate activities, Board members and sub-committees, and investors news on its website both in Thai and in English. In addition, a list of the Company's current top ten major shareholders is disclosed on its website and is updated on a monthly basis. In this way, shareholders can find information about the Company's major shareholders prior to the shareholders' meeting.

- **Policy to report the Shareholding and Transactions of Company Shares to Board of Directors**

The Board of Directors specified that Board members and Management must disclose any changes in their securities holdings to the SEC in accordance with Section 59 of the Securities and Exchange Act B.E. 2535. In case of purchase, sale, or transfer of securities, Board members and Management shall report changes in their applicable securities holding to the SEC and the SET. In addition, any changes in directors' shareholding shall be reported to the Board of Directors' meetings. The Board of Directors and Management shall submit one copy of the securities disclosure to the Company for record.

The holding of the Company's shares by the Director and Management as of 31 December 2017 and changes from the past year is as follows:

- Directors: None of Directors holding the Company's share
- Management: There are 6 managements (as the definition of the SEC) but there is only one holding the Company's share

(Common Shares)

| Name  | as at 31 December 2016                                       |  |          | as at 31 December 2017                                       |   |          | Change:<br>increase /<br>(decrease) |
|---|--|--|----------|--|---|----------|-------------------------------------|
|   | Number of<br>shares held by<br>(a) Director or<br>Management | Number<br>of shares<br>held by (a)<br>related<br>person(s) | Total    | Number of<br>shares held by<br>(a) Director or<br>Management | Number of<br>shares held<br>by (a) related<br>person(s) | Total    |                                     |
| 1. All Directors<br>(11 Persons)  | -  | -  | -        | -  | -   | -        | -                                   |
| 2. Mr. Sompot<br>Cheeranorawanich<br>Vice President<br>Corporate Affairs and<br>Communications –<br>Company Secretary | 3,990.00   | -  | 3,990.00 | 3,990.00   | -   | 3,990.00 | -                                   |

With regard to any issues that might result in a conflict of interest, the Company strictly complies with the SEC and the SET's related regulations on "Disclosure of Information and Act of Listed Companies Concerning the Connected Transactions" while always taking into account the best interests of all stakeholders. Details, counter parties, values, reasons, and necessities for each transaction are all disclosed in the Annual Report and Form 56-1.



- Investor Relations

The Company's Vice President Finance and Accounting is in charge of investor relations activities and is required to communicate directly with institutional and individual investors, analysts and concerned government agencies. In year 2017, the Company recorded 30 visits by investors and analysts as follows:

| Type of Visit      | No. of Visits | No. of Companies |
|--------------------|---------------|------------------|
| One-on-One Meeting | 30            | 15               |

Investors may request any information from the Company at Tel. 0-2030-6800 or Fax 0-2030-6801-2, e-mail at [jamjuree.sirovetnukul@agc.com](mailto:jamjuree.sirovetnukul@agc.com) or mailing address at Vinythai Public Company Limited, No. 11 Q.House Sathorn, 18<sup>th</sup> Floor, South Sathon Road, Thung Maha Mek, Sathon, Bangkok 10120.

- Whistleblowing and Whistleblower Protection Measures

With a view to enhancing the participation of stakeholders in improving the Company's performance to ensure the sustainability, the Company opened communication channel for stakeholders to voice their concern about any crucial case related to the Company's operations or unethical practices via the Audit Committee at the Company's website: <http://www.vinythai.co.th/en/home/3/Contact%20us/2/>

Where such concerns are raised, the Audit Committee shall arrange an investigation and report the findings to the Board of Directors for consideration, so that the Company can find solution in a timely manner. The rights of any person who communicates such concern should be protected. The Company has duly communicated this information to stakeholders through the SET channel.

In addition to the above, the Company's website includes details of personnel responsible for each area so that investors, customers, local communities and other stakeholders can communicate recommendations and make enquiries from the Company via the Company's website.

- Policy for Prevention of Software Copyrights Violations

The Company has the policy on prevention of software copyrights violations, the Company also formulated guidelines to which its employees must strictly adhere. The guidelines include abuse of Company's computer and IT system, such as, store and/or use illegal software on Company's computer. In event of violations of the mentioned policy, an investigation shall be conducted as quickly as possible. An employee found guilty of such conduct is subject to the Company's disciplinary actions.





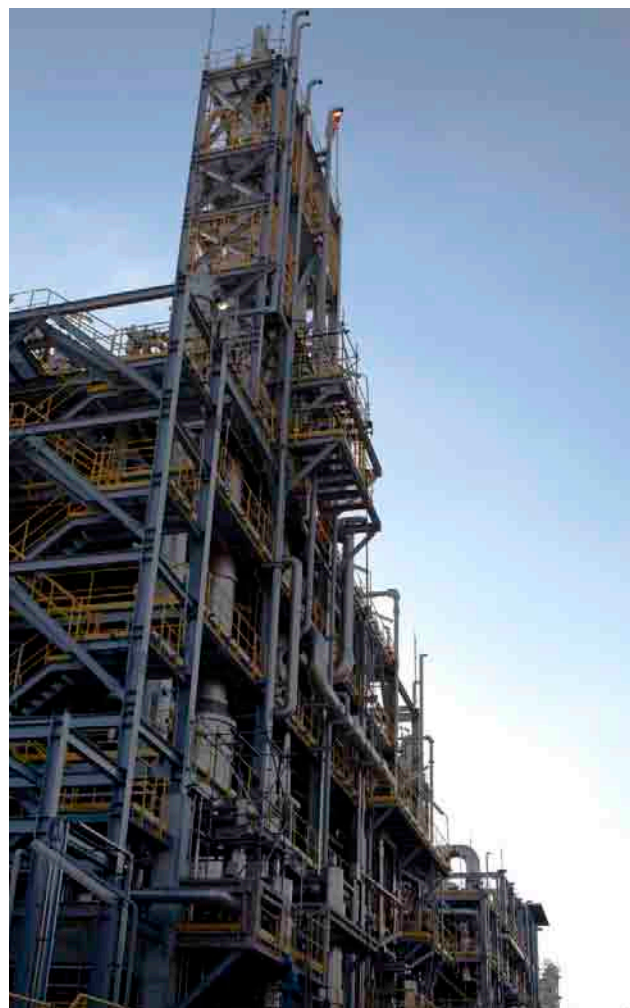
## 5. Responsibilities of the Board

Pursuant to the Company's Articles of Association, the Board of Directors shall comprise at least 10 directors, provided that not less than half of the total number of directors must have residence in Thailand. The Board structure consists of accepted knowledgeable, competent persons with various qualifications, skills, experience, and expertise that can provide optimum benefit to the Company and its shareholders. Qualifications and experiences of the Board of Directors are disclosed in the Annual Report and the Form 56-1, which were posted on the Company's website. With respect to the Company's Corporate Governance Charter, the directors may not be directors of more than five listed companies and must notify the Board of Directors of their positions for acknowledgement and approval.

It is the policy of the Board of Directors that the Chairman and Managing Director should not be the same person. This is to ensure clarity of responsibilities for issuing governance policy and undertaking the Company's management. Although the Chairman of the Board and the Managing Director both represent one of the Company's major shareholders, Asahi Glass Co., Ltd. (Japan), the current structure of the Company's Board also includes representation of the other major shareholder, PTT Global Chemical Plc., and 4 independent directors. This arrangement creates a balance of power that ensures fair oversight of the Company's administration. Even though, the Chairman is not an independent director, he has performed his duty in good faith, with due diligence and care, in accordance with the Board policy and in the best interests of the Company.

The roles and responsibilities of the Chairman of the Board are different from those of the Managing Director. The Chairman of the Board conducts the Board meeting efficiently by urging all directors to actively participate, raise questions, and provide essential recommendations, leading to decision taken

on significant policies pertaining to the Company. The Managing Director reports to the Board of Directors and is authorized to administer, manage, supervise, and execute all acts in connection with the business of the Company in accordance with the policies endorsed by the Board of Directors. The Managing Director takes responsibility for the Company's operating results, controls expenses and capital expenditures limits as approved by the Board of Directors, manages the Company's human resources to ensure a high level of motivation, performance and productivity and delegates authority in accordance with the strategy and performance of the Company, and maintains effective communication with the stakeholders. The Managing Director takes step to ensure that the policies and action plans of the Company are implemented in line with its strategy and to the highest level.





The roles and responsibilities of the Board of Directors and the Management are clearly segregated. The Board of Directors formulates significant policies and oversees the Management's implementation of those policies. The Management shall be responsible for implementing policies formulated by the Board of Directors and ensuring that these are carried out as planned. Managerial authority is channeled through the Management according to clearly specified levels of authority. The Board advises and supports the Management through the Business Advisory Committee. However, the Board does not intervene in routine tasks and business activities under the Management's responsibility.

#### **Roles and Responsibilities of the Board**

The Board of Directors fully commit to their roles and responsibilities in order to ensure effective discharge of their duties. All members of the Board of Directors exert their utmost efforts to perform their duties in good faith, with due diligence and care, in the best interests of the Company and all stakeholders. Each director shall discharge their responsibilities in good faith in such a way to safeguard and promote the Company's interests. The Board of Directors also conducts its meetings in accordance with its responsibilities to shareholders, including setting targets to secure optimum benefit for shareholder and other stakeholders within legal framework and business conduct. The Board of Directors reviews and approves the company's vision, mission, values and strategy every year. In addition, the Company has improved the Charter on Corporate Governance and Code of Conduct.

(see the details at: <http://www.vinythai.co.th/media/www/index/10376321487605086.pdf>, or <http://www.vinythai.co.th/media/www/index/90588951487869043.pdf>)

**The Board of Directors takes overall responsibility for the following:**

1) Endorse the vision, goals and strategies of the Company every year, including risk policies, business plans & annual budgets, monitor the Company's operations and approve major investments, takeovers and sales of Company businesses.

2) The Board of Directors shall manage and carry on the business of the Company in accordance with the law, the Company's objectives and Articles of Association and resolutions of shareholders' meetings. Moreover, directors shall do so in good faith and consistent with the best interests of the Company and shareholders.

3) Supervise and monitor activities of the Company's management to ensure that their performance is in line with established policy in accordance with good corporate governance and so as to add economic value to the Company and increase wealth for shareholders.

4) Monitor the operation of the Company at any time with cognizance of relevant laws and contract terms as they relate to the Company and require management to report its performance and other important matters to each Board of Directors' meeting, thereby effectively improving the Company's operation.

5) Provide accounting systems, financial reporting, internal controls and effective and credible internal audits.

6) Control and oversee management treatment of all interested parties to ensure that they are ethical and equitable.

7) Evaluate the Company's success in order to determine bonuses and rates of annual salary increases within the Group.

8) Play a key role in risk management matters so as to establish and maintain guidelines and measures to ensure adequate risk management and regular monitoring.

9) Independent directors and other outside directors are prepared to use their discretion in independently considering issues pertaining to strategic management of resources, appointment of directors and setting





operational standards, and are ready to challenge the actions of directors and other management figures in cases of conflicting opinions as they affect the equitable treatment of all shareholders.

10) If necessary, the Board of Directors shall enlist the services of external professional advisors at the Company's expense.

11) Appoint a Company Secretary to assist the Board of Directors with various activities, including Board of Directors' meetings and shareholders' meetings, and regularly advise the Board and the Company on their conduct and correct operations according to laws and relevant regulations. The Company Secretary will also ensure that the Directors and the Company disclose information correctly and transparently.

12) Provide provisions pertaining to business Conduct, director Conduct, executive Conduct, and employee Conduct to be implemented in-house.

13) Suspend trading at least one month prior to announcements of financial news and for at least three days after announcement of financial statements.

14) Report the securities holdings of their spouses and minors to each Board of Directors' meeting and notify the Company without delay in the event of an interest, whether directly or indirectly held, arising in any contract made within the Company's fiscal year, or if holding shares or debentures in the Company and/or the Company's subsidiaries.

**The material approval authorities of the Board of Directors are for example:**

1. Approval of major investment, takeover or sale of business including the acquisition and disposal of asset, related party transaction in accordance with the regulation of the office of the Securities and Exchange Commission and the Stock Exchange of Thailand.

2. Appointment, withdrawal and authorization of duties to the sub-committees including the appointment of directors during the year, appointment of specific

committee, the determination of names of director who can sign to bind the company.

3. The appointment of the Company Secretary in accordance with the Securities and Exchange Act.

4. The approval of vision, goal, strategy and policy for the operation of the Company.

5. Approval of the establishment, merger and acquisition of subsidiaries.

6. Approval of the open and close of accounts and implementation of Company's normal business accounts with banks or financial institutions.

7. Approval of the institution, conduct, prosecution, settlement, compromise and defense of any action or other legal proceeding including the appointment of a lawyer whatsoever necessary to sustain the interest of the Company for both civil and criminal cases.

8. Approval of entering into the major contracts of the Company.

To avoid unnecessary problems, the Board of Directors carefully scrutinizes any issues that might result in a conflict of interest. Such issues are acknowledged by the Board of Directors in accordance with the SEC and the SET regulations stipulated for a transaction based on an Arm's Length Basis. The Board of Directors monitors compliance with the regulations regarding criteria, procedures and disclosure of transactions with conflict of interests. The Audit Committee is assigned to review significant related transactions to ensure the transparency and the best interest of the Company. To ensure fairness, directors or management having interests in the related transaction must not be involved in decisions and approval process.

**Board Assessment**

The Board of Directors has carried out its duties with maximum transparency and in full conformity with the Principles of Good Corporate Governance and Code of Best Practices for Directors of Listed Companies, as prescribed by the SET, as well as the Securities and Exchange Act, B.E. 2535. The Board of Directors





recognizes the importance of a self-evaluated and a constant improvement in its working performance. Therefore, the Company conducted a self-assessment for all of the Board's members to evaluate their performance in accordance with the principles of Corporate Governance. The process and criteria of the self-assessment are mentioned here under.

#### **The Process of Board of Directors Self-Assessment.**

1. The Nomination and Remuneration Committee reviewed the assessment form for its accuracy and completeness as determined by the Principles of Corporate Governance.

2. The Company Secretary summarized the results of the assessment.

3. The Company Secretary reported the assessment results to the Board of Directors as reference for performance improvement.

The self-assessment has generally been taken in 6 main criteria;

1. Structure and qualifications of the Board of Director
2. Roles and responsibilities of the Board of Director
3. The Board of Director meetings
4. The Board's performance in duties
5. The Board's relationship with the Company's management
6. Self-improvement of the directors and management development plan.

The Board of Directors' self-assessment is conducted on an annual basis. The result of the previous year self-assessment is satisfactory. The Board has effectively contributed for their duties. The findings of the assessment were presented and reviewed for continual improvement.





### Board Self-Assessment of Sub-Committee

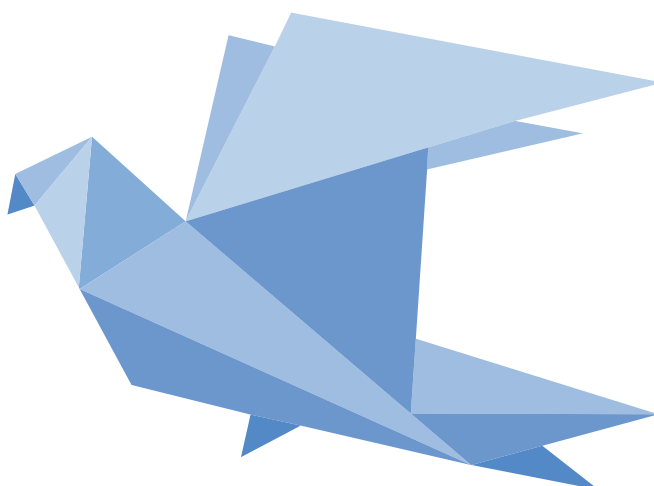
Annual evaluation of performance of Sub-Committee e.g. Audit Committee was carried out in order to monitor and carry out continual improvement. The assessment result was reported in the Board meeting for their acknowledgement. Based on 2017, the result showed that all performance was highly satisfactory.

### Board and Management and Employee Training

The Company supports and facilitates trainings for members of the Board of Directors, the Management and employees so as to continuously improve their skills, knowledge and working performance. The Company's Board of Directors actively participates in the director trainings arranged by the Thai Institute of Directors Association (IOD). Some foreign directors who do not reside in the Kingdom are sometimes unable to attend the director training sessions as scheduled by the Thai IOD. However, they are provided relevant information by the Management to update themselves. Details of the Board of Directors' trainings are presented in the Annual Report and Form 56-1.

Business Orientation and plant visit are provided to the new directors in order to help them better understand the nature of the business and operations of the Company. Training sessions for directors on pertinent topics are arranged to enhance their performance of their roles and responsibilities.

The Company has introduced a career development planning program to cultivate the potential of its personnel and prepare those showing promise for roles that will serve the future needs of the Company. The career development highlights management positions for which training and development are recommended for each individual, both technical and non-technical programs, so as to enhance and promote learning and transfer of technologies and knowledge, both domestically and abroad.





# GUIDELINES ON PREVENTION OF CORRUPTION INVOLVEMENT

Vinythai Public Company Limited (the “Company”), as listed on the Stock Exchange of Thailand, recognizes the importance of good corporate governance and is committed to conduct the business with utmost integrity and in compliance with the laws, rules, regulations, and anti-corruption laws. Its Board of Directors has approved the Anti-Corruption Policy as the guideline in respect to the anti-corruption measures and corruption risks of the Company. The Company condemns and prohibits corruption in any form.

## The Code of Conduct

In 2017, the Company revised the Code of Conduct and clarified what the Company must comply with. The Guiding Principles remain unchanged, but the Founding Policies, Administrative Procedures and Annexes have been updated to provide more specific information in the following areas i.e. Workplace Health and Safety, Environment, Company and Third-Party Assets and Confidential Information, Fair Competition and Anti-Trust, Reports and Records, Insider Trading; and International Trade Controls. In addition the Compliance Organization is formally established to plan, implement and monitor Vinythai’s compliance activities.

The Company continually are committed to the high standards of legal compliance and business ethics. Our Code of Conduct is applied to all directors, management, and employees of the Company and its subsidiaries. Third parties acting on behalf of the Company are also expected to act within the framework of this Code.

### The 2017 Code of Conduct of the Company comprises of the following topics:

1. Business Ethics Policy
2. Conflicts of Interest Policy
3. Workplace Health and Safety Policy
4. Environment Policy
5. Company and Third-Party Assets and Confidential Information Policy
6. Gifts, Entertainment and Anti-Corruption Policy
7. Customer Relations and Product Quality Policy
8. Respect for People Policy
9. Charitable Activities & Company Philanthropy Policy
10. Fair Competition and Anti-Trust Policy
11. Reports and Records Policy
12. Insider Trading Policy
13. International Trade Controls Policy





- Compliance and Enforcement
- Speak Up and No Retaliation
- Training and Awareness
- Compliance Organization
- Designated Compliance Function

(More information of the Code of Conduct is available at website of the Company: <http://www.vinythai.co.th/media/www/index/90588951487869043.pdf>)

## Policies of the Company

### CODE OF CONDUCT



In addition, the Company also developed the Anti-Corruption Policy and Procedures, which include the following contents:

#### Anti-Corruption Policy

Corruption means any bribery whether offering, promising, giving, receiving or soliciting of money or another item of value or any other advantage with the intention to influence the behavior of the recipient or improper abuse of power through any gifts or services, cash or in-kind, bribery of public official and private-to-private bribery.



In this Anti-Corruption Policy, public officials shall mean any person in the position of legislative, executive, or judicial office of the state or any person working on the official duties to the state, its agencies or enterprises whether appointed or elected as temporary or permanent position with or without any remuneration.

The Anti-Corruption Policy prohibits Board of Directors, management and staff members to act or accept any form of corruption, whether direct or indirect, for the benefits of anybody, including one's self, family, friends or acquaintances. The scope of this policy covers the business of the Company in every country and all relevant parties. The Company also establishes procedures to regularly review the implementation of this Anti-Corruption Policy as well as regularly review the content of the policy and relevant guidelines to ensure that they are in compliance with changes in businesses, relevant rules, and applicable laws and regulations.

(More information of the Anti-Corruption Policy is available at website of the Company: <http://www.vinythai.co.th/media/www/index/49737311487869078.pdf>)

**The Company has taken steps to promote the anti-corruption initiatives as follows.**

1. The Company received a certificate from Thailand's Private Sector Collective Action Coalition against Corruption (CAC) Council, on 18 August 2017.
2. The Company was 1 of 100 leading companies who were recognized as outstanding performance in environmental, social and governance (ESG) aspects.
3. The Company has prepared the guidance on direction and supervision in order to prevent the fraud and risk from corruption in the Anti-Corruption Procedures and relevant Procedures related to charitable contribution, sponsorships, gifts, and hospitalities.
4. The Company has provided training to all employees to raise their awareness of the Code of Conduct and Anti-Corruption Policy of the Company including arrangement of tests after the training, which results were satisfactory.
5. The Company has 4 processes regarding the corruption risk assessment as follows:
  - Step 1: Preparation to determine the risk parameters in terms of impact and likelihood of occurrences, as well as to determine the level of risk appetite for the Company.
  - Step 2: Identification of corruption risks, their root causes, and current controls in place.
  - Step 3: Assessment of the current controls in place and performance of risk analysis to determine the impact and likelihood level of each risk, considering the current controls in place (residual risk analysis).
  - Step 4: Identification of risk response measures to mitigate the risk to an acceptable level for the cases where the current controls in place are insufficient to prevent fraud risks.

Vinythai assesses and reviews corruption risks annually to identify potential changes in corruption schemes, scenarios and events. The reviews includes considerations of changes in operations, new information systems, changes in job roles and responsibilities, new or evolving industry trends and emerging corruption threats/ schemes, amongst others.
6. The Company establishes guidelines for monitoring and evaluating the implementation of the Anti-Corruption Policy by assigning the Internal Audit Department to be responsible for auditing and reviewing business operations for accuracy and compliance with policies, guidelines, delegation of authority, standards and relevant laws and regulations to ensure that the control system is appropriate and adequate for any potential corruption risk. The results of the audit shall be reported to the Audit Committee.





# INTERNAL CONTROL AND RISK MANAGEMENT

The Company's Board of Directors, the Audit Committee, and the Management place an importance on the effectiveness and adequacy of the internal control system. The Audit Committee has been assigned by the Board of Directors to review and evaluate adequacy and appropriateness of the internal control while taking into consideration the risk management as well as to maintain accuracy and transparency in operations. The Management has formulated the internal control system deemed appropriate for the Company's business operation and organization structure as well as taking into account changing business environment which probably affects the performance of the company.

Consequently, the Audit Committee presented its semi-annual report to the Board of Directors in the Board Meeting No. 3/2017 held on 19 July 2017, and year-end report of 2017 to the Board Meeting No. 1/2018 held on 23 February 2018 which included the evaluation of the internal control of the Company in compliance with the internal control evaluation form outlined by the SEC based on COSO Framework. After consideration, the Board of Directors has the same view as the Audit Committee that overall internal control system is present and functioning, remains satisfactory, adequate and appropriate for the Company's business operations. Current risk management is adequate to safeguard the shareholders' investment, the interests of customers, regulators, stakeholders, and company's assets. The review has not identified any circumstances which suggest any fundamental deficiencies in the Company's internal control system, which can be summarized that:

## 1) Control Environment

- Policy on Corporate Governance, Anti-Corruption, business ethics and Code of Conduct practices for director, management and employees have been defined and approved by the Board as well as communicated to employees at all level. In 2017, the Company's Board of Directors considerably reviewed the Code of Conduct in order to ensure the compliance with the best practice of the major shareholder. The approved Code of Conduct was consequently communicated and trained to the Company's management and key personnel. Training sessions for all employees will be organized in 2018.

Under the Policy of Corporate Governance, designated compliance function is assigned to oversee the deployment of the Code of Conduct and the accompanying compliance program, as well as to monitor the effectiveness of the implementation. The Company takes all steps to ensure full compliance with ethical principles and that appropriate penalties are imposed in the event of any violation. Implementation on good corporate governance practices has been continually carried out to further improvement.

Realizing the importance of anti-corruption compliance, the Company committed to focus on anti-corruption practices while encouraging and educating its employees to be aware of corruption in all forms to raise the employees' awareness towards their responsibilities and commitment to the Company's anti-corruption policy and measures. Consequently, on 18 August 2017, the Company's anti-corruption practice has been certified by Thailand's Private Sector Collective Action Coalition against Corruption (CAC).

- The Board of Directors provides governance and oversight to the management. The Board of Directors supervises the Company to set clear and measurable annual business goals and strategic plans, as well as to monitor KPIs set by the management, which are used as guideline and benchmarks to ensure achievement of the objectives. The Board has responsibility for ensuring that an adequate system of internal control is



established and maintained. The management takes step to develop appropriate internal control system and monitor the effectiveness of the internal control. All employees are accountable for their internal control activities and maintain effective internal control system.

- According to the Company's structure, delegation of authorities has been clearly defined by the Board of Directors, especially for significant matters, to ensure transparency and accountability. Explicit approval procedures for operations, the roles and responsibilities of management and operation in each level, including reporting lines, have been clearly stated in writing and reviewed upon changes to ensure sufficient control. Appropriate resources are regularly reviewed and adjusted to ensure that the duty performance process especially involving high risks are justifiable.
- The Company demonstrates commitment to develop and retain competent individuals through HR policies and procedures. Trainings are continuously provided to employees to enhance their competency. In addition, the Company has also established performance appraisal process and rewarding system to drive individuals' accountability for performance.

## 2) Risk Assessment

- The Company's risk management system is integrated into the review of corporate strategic plan which is annually presented to the Board of Directors for consideration. The Board of Directors assigned the Business Advisory Committee to prescribe policies and suggest measures for the appropriate and efficient management of risks associated with the business of the Company, to evaluate the performance and to review risk profiles of the Company as to ensure that the risks are not higher than determined risk tolerance. The review by the Audit Committee is to ensure that the risk management systems and measures of the Company are appropriate.
- Under current Risk Management Policy and the Risk Management System which are steered by top level executives, all risk management members are responsible for management and mitigation of the potential corporate risks identified both from internal factors and external factors that could affect the achievement of the Company's objectives. On-going monitoring of high risks are monitored and assessed to ensure effective mitigation measures. According to the policy, employees are required to integrate the risk management into normal management processes including when implementing any projects. All managers with support of their subordinates are expected to maintain an up-to-date risk list or equivalent approaches to provide assurance that the risk management system is being followed. Reporting on key risks and status of controls shall be incorporated in management reports.
- The management is also well aware of operation risk related to fraud, thus measures for preventing and detecting potential fraud are implemented through effective control procedures, segregation of duties, explicit delegation of authorities and control over information system and accessibility. In addition, to emphasize the anti-corruption program implemented by the Company, the fraud risk assessment has been developed to determine and identified the extent of the corruption risk to the business in order to ensure that the Company has adequate measurement to prevent fraud to the Company's business operations.

## 3) Control Activities

The Company encourages employees to conform to the control activities and related laws and regulations to ensure internal control system remains effective as designed. Control activities are summarized as follows:

- Policies, business process manuals, and procedures related to procurement, finance and credit management, contracts and loan agreement have been formulated to ensure management directives are carried out. Such policies and procedures are regularly reviewed to be appropriate for business operations. Delegation of





power and transaction authority with line of approval has been defined in writing and regularly reviewed with approval by the Board of Directors, which covers delegation of power granted to the management to act as directors in its subsidiaries. Extending from the management down to the operational level, roles and responsibilities at each level have been defined, in writing, to demonstrate clear authority and duties of all employees.

- For the sake of maintaining good control, the Company separates the function of authorization of the transactions from that of book recording and safeguarding of assets. All relevant parties are given a framework, within which they can control utilization of the Company's assets, while the duties of operational staff and inspectors are kept separate. Additionally, a financial control system has been introduced, via the implementation of a financial reporting process for the various levels of management.

- Regarding connected transaction, Directors and the management are well aware of and comply with the regulations governing the connected transactions. Significant related transactions had been reviewed by the Audit Committee, covering criteria, procedures and information to ensure the transparency and the best interest of the Company. Directors or management having interests in the related transaction were not involved in decisions and approval process. The Company Secretary is responsible to keep report on interest filed by a director or executive of the Company.

- The financial reporting and all connected transactions are correct, complete with adequate disclosures to meet the generally accepted accounting principles and in conformity with the Securities and Exchange Acts, Regulations of the Stock Exchange of Thailand, and any other relevant laws.

- The Company selects and develops control activities over technology to ensure accuracy and transparency of the operations. Access to confidential information, significant data, or critical application is limited to authorized persons. Rules and regulations have been established to ensure security of the Company's information system. In addition, procedure of business continuity plan which extended to supply chain logistics was established to ensure company operation, products to customers and information system continuously in operation from any kind of failure.

- Apart from internal control system currently in place, the Company, as a subsidiary of AGC Group, has been also implementing internal control and assessment based on the Japanese Financial Instruments and Exchange Act (J-SOX). According to the assessment, the Company's J-SOX implementation on Company Level Control for 2017, which assessed by the major shareholder's internal audit team, has been effective.

- The Company always monitors legal compliance relevant to business operation of the Company and its subsidiaries, both locally and internationally.

#### 4) Information and Communication

- The management obtains or generates and uses relevant and quality information from internal and external sources. Meeting materials prepared for the decision of the Board of Directors are adequate and submitted to the directors in advance. Meeting minutes are recorded and kept for reference. Transactions and accounting records are completely filed. The financial reporting has been prepared in compliance with the generally accepted accounting principles in Thailand and other appropriate and consistent accounting policies. The Company has disclosed all important information both financial and non-financial to the SEC, the SET, and relevant regulators in a proper and transparent manner.

- The Company has implemented systematic data processing and enhanced information quality through a data governance program, as well as, identified, protected, and retained financial data and information with access and application control.

- Several internal communication channels have been set up to deliver important information to employees, such as e-newsletter, intranet, etc. Message from the Managing Director has been also communicated



to all employees via e-mail on monthly basis in order to update business information and progress and the Company' objectives to the employees.

- The Company has set up communication channel for stakeholders to voice their concern about any crucial case related to the Company's operations or unethical practices via the Audit Committee at the Company's website. The Company's website also includes details of personnel responsible for each area so that investors, customers, local communities and other stakeholders can communicate recommendations and make enquiries from the Company via the Company's website. Furthermore, the Company encourages employees to ask questions, voice concerns and make appropriate suggestions regarding the business practices of the Company. Employees are expected to report promptly to management suspected violations of laws, policies, and internal controls. Alternative channels of communication on such concern are provided for employees. According to the Company's Code of Conduct, the rights of any person who communicates such concern shall be protected.

### 5) Monitoring activities

- The Company has a monitoring process at both operational and management levels. The Board of Directors assigned the Business Advisory Committee to assist the Board in monitoring the performance indicators and business goals compared to the approved targets. The Management Team holds monthly meeting to discuss and follow-up significant issues related to business performance, resources planning, employee development plan, as well as to monitor the risk mitigation measures as defined. In case there is a major issue with possible impact to the Company, the management will review the situation and propose actions to the Board of Directors. Each operational unit has implemented their on-going monitoring process to ensure their works are aligned with and achieved the business targets of the Company, with consideration of risk assessment. Control Self-Assessment approach has been initiated as to foster an awareness of risk and controls among management and staff as well as to enhance each area owner's responsibility and accountability for risk and controls. In 2016, the control self-assessment was conducted on procurement activities to identify and manage areas of risk exposures to ensure the effectiveness of the controls in place.

- The Company has also established internal audit department to review the internal control activities according to the audit plan approved by the Audit Committee and monitor plans to ensure an effectiveness and adequacy of the internal control. Audit findings are reported to the Audit Committee meetings whereby the Audit Committee reviewed and provided recommendations for improvement. As assigned by the Board of Directors, the Audit Committee shall review the overall management of the Company's corporate governance practices. In 2017, the audit reports did not find significant deficiency in the internal control system. No violations of the SEC and the SET regulations or other related laws were found.

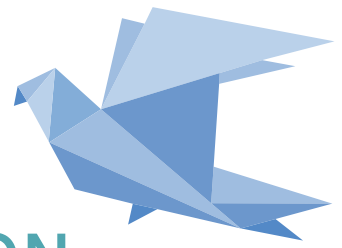
## Head of Internal Audit

The Company has appointed Dr. Supachat Chairatanathavorn as Senior Internal Audit Department Manager and in charge of Secretary to the Audit Committee. The Audit Committee recognized that Dr. Supachat Chairatanathavorn has competency to perform the duty in leading the internal audit unit. He has continuously participated in relevant trainings to update knowledge and expertise. With his in-depth experiences in various aspects and qualifications, Dr. Supachat has extensively supported the Company for business performance improvement.

According to the Audit Committee Charter, the Audit Committee approves the appointment, transfer, and dismissal of the chief of an internal audit unit, or any other unit in charge of an internal audit, including expressing an opinion on qualifications and performance of the chief of an internal audit unit.







# RISK ISSUES AND MITIGATION

## Risk Management

The Company realizes that with rapid and disruptive changes in business and industrial environment, the Company requires an appropriate tool in managing performance and sustainability of the business in short and long terms. Enterprise risk management is then placed as one of the key business activities.

Risk management is under supervision of the Board of Directors through the Business Advisory Committee and the Audit Committee reviews potential risk and their mitigations. In addition, Management Committee has been set up to assess, manage and timely monitor risk exposures and mitigation measures to ensure that risk impacts can be prevented and mitigated at an acceptable level for business operations.

Management Committee comprises the Managing Director, Business Director, Operation Director, Vice President Finance & Accounting, Vice President Corporate Affairs & Communications, Plant Manager and Assistant Vice President Supply Chain. Risk management policy and framework are defined and aligned with the Company's strategy and vision. The Committee actively develops risk management processes covering all identified & potential risks that pertain to its businesses, with each process closely linked to corporate strategy and opportunities for growth. All Management Committee members are responsible for management and mitigation of the risks that could potentially affect achievement of the Company's strategic goals.

The Company faces a variety of risks which may be broadly classified into four types: Financial risk, Business risks, Operational risks, and Megatrend - Green movement risks.

## Risk Issues and Mitigation

### 1. Financial Risks

#### Foreign exchange rate risk

Vinythai and Advanced Biochemical (Thailand) Company Limited, its affiliate, are exposed to exchange rate volatility on their revenues from both domestic and export sales, all of which are mainly priced in US dollars. They are also exposed to risk on payments to its main feedstock, as they are priced in US dollars. The Company's other raw materials, machinery and equipment maintenance are also all denominated in foreign currencies, notably US dollars, Euro, Japanese yen.

#### Mitigation:

Vinythai closely monitors foreign exchange rate movements as part of its day-to-day operations. The Company both manages its foreign exchange rate risk exposure with natural hedges and carefully applies available financial hedging tools, including forward contracts and others as necessary, so as to minimize its foreign exchange rate risk exposure at any given time.

### 2. Business Risks

#### 2.1 Fluctuation of product and raw material prices in international markets

- **Finished goods**

Prices of PVC resin, Caustic Soda and Epichlorohydrin on international markets can fluctuate considerably. As such, Vinythai's revenues from both exports and domestic sales may rise or fall sharply, often due to circumstances beyond its control.



- **Raw materials**

Vinythai is vulnerable to international fluctuations in the price of Ethylene and Glycerin, which are its pivotal inputs, alongside with Salt and Electricity. Ethylene and Glycerin accounted for around 50% of the Company's total production costs in 2017.

Mitigation:

Concerning fluctuations in its end product prices, Vinythai's marketing & sales teams closely monitor price evolution in order to proactively make adjustments to prevailing conditions. The Company's fully-integrated production processes help, to some extent, to shield it from Ethylene and Glycerin price volatility. To further reduce the impact of those cost factors, the Company negotiates with suppliers to ensure effective pricing management that best reflects Asian market conditions.

The Excellence programs launched since 2015 on manufacturing and maintenance sites, and purchasing & supply chain already generated significant results in 2017 and largely enhanced the Company business performances in term of the fixed & variable costs, productivity and price management.

## 2.2 Reliance on a limited number of suppliers

The Vinyls production process is dependent upon Ethylene, Electricity and Salt as its principal raw materials. The Company has entered into agreements with individual suppliers accordingly. In the cases of Ethylene and Salt, in particular, the number of suppliers is limited. As such, Vinythai faces the risk of a key raw material shortage should any of its suppliers suddenly be unable to fulfill its commitment.

Mitigation:

The Company has entered into long-term contracts with each of its suppliers to ensure that it is able to secure supplies continuously. It is also able to negotiate extensions to these agreements as they expire. In the event of short-term supply problems, the Company will source Ethylene from other suppliers, either local or from overseas. In the case of salt, the Company could import Ethylene Dichloride (EDC) as a substitute raw material for production.

## 2.3 Reliance on a Single Business Sector

In 2017, over 40% of all PVC resin demand in Thailand came from the pipe and fitting sector, with consumption being closely aligned with the construction industry and government-initiated public infrastructure projects.

Mitigation:

Vinythai has adopted a policy of diversification that focuses on expanding into different sectors, such as rigid profiles, films and sheets, wires & cables, and artificial leather. The Company also endeavors to penetrate new export markets and diversify its exposure within existing export markets.

Additionally, the diversification into Epichlorohydrin production using "green technology", reduced its sole reliance on, and sensitivity to, the PVC market. Epichlorohydrin is an essential feedstock for production of epoxy resins and is increasingly used in such applications as corrosion protection coatings as well as in the electronics, automotive, aerospace, and windmill power-generating industries.





### 3. Operation Risks

#### 3.1 Plant operation risk

Certain unexpected occurrences, both internal and external, could potentially disrupt the Company's plant operations. Accidents, insufficient or undeliverable utilities, machinery failures, and operational failures such as to feedstock supply, as well as customer-related issues, can lead to interruptions to production, with significant potential impact on the Company's financial performance.

Mitigation:

The Company has developed the Health, Safety and Environment Excellence Program and framework, conducted systematically the process risk analysis with its mitigation measures appropriated to the risk level. The emergency preparedness is established and regularly performed the exercises designed to avert business emergencies and accidents, or at least minimize their impacts and losses, while also safeguarding personnel and the environment.

The Company has also established preventive and predictive maintenance procedures to minimize machinery risks, including drawing up specific machinery maintenance procedures and composing manuals showing how to minimize errors, accidents and disruptions. Safety trainings are provided to whole employees and contractors, such as HSE culture and management system, transport & process safety, and the lifesaving rules. Moreover, the Company has an insurance policy to compensate for and minimize potential financial losses resulting from such occurrences.

#### 3.2 Internal Control and Fraud risk

Some business activities and transactions, such as goods purchasing, stock management, contacts with external parties, are one of the key business processes that could lead to inefficient management.

Mitigation:

The Company yearly assesses internal control system. In 2017, the management, performed the relevant risk assessment over several business activities including the reassessment of current internal control system. Moreover, in 2017 the Company joins a program of internal control over financial reporting based on J-SOX approach. Workshops have been provided to the operators and managers in order to insure good internal controls and optimum job performance according to clear operation guidelines.

Additionally, the Company applied the framework of Thailand's Private Sector Collective Action Coalition against Corruption (CAC) and is certified in August 2017.

### 4. Megatrend – Green Movement Risks

#### 4.1 Greenhouse gas emission

Greenhouse gases could trap heat and make the planet warmer. The largest sources of greenhouse gas emissions are from burning fossils fuels for electricity, heat, and transportation. Nevertheless other sources would be from industry, commercial & residential, agriculture, and land use & forestry.

Holding a world-scale manufacturing plant, the Company realizes that it is one of the emission sources, and it should be a part of the solutions. Necessary actions taken would help the Company not only in term of emission reduction, but also in term of natural preservation.





Mitigation:

Vinythai participates and implements several measures to reduce emissions and to target the improvement of products and processes that contribute to emission reductions. Those measures are taken with clear objectives in short term and long term, aligning with our strategic targets relating to energy saving.

For examples, in Production & Support Processes, the managers roll out the following continuous improvement programs:

- 3Rs for All – Reduce, Reuse, and Recycle
- energy saving management,
- production: carbon footprint reduction, manufacturing excellence program,
- supply chain excellence program,

Those programs led the Company to receive many recognition awards over the past few years.



# AUDIT COMMITTEE'S REPORT FOR 2017

The Company's Audit Committee as appointed by the Board of Directors has held office from 27 November 2014 to 27 November 2017, comprises three Independent Directors, leading by Mr. Pipop Pruecksamars as Chairman, with Mr. Pote Videtyontrakich and Associate Professor Danuja Kunpanitchakit, Ph.D. as members. Due to the expired term of office, the Board of Directors in its meeting No. 6/2017 resolved to renew the same committee members as the Audit Committee, and appointed the chairmanship to Associate Professor Danuja Kunpanitchakit, Ph.D. as Chairperson of the Audit Committee, commencing from 27 November 2017. All of the Audit Committee members have knowledge, expertise and experiences in various areas such as finance and investment, accounting, technical and petrochemical business. The Audit Committee's qualifications and composition meet all standards as defined by the Office of the Securities and Exchange Commission and the Stock Exchange of Thailand.

The Audit Committee has independently performed its duties in conformity with the Audit Committee Charter which fully aligned with the requirements of the Stock Exchange of Thailand, and the mission entrusted to it by the Board of Directors. The Audit Committee also emphasized on adherence to good corporate governance and compliance with laws and regulations in relation to the business operations of the Company and its subsidiaries.

## Major activities carried out by the Audit Committee during 2017 are summarized as follows:

### • Meetings

In 2017, the Audit Committee held totally eight meetings comprising four ordinary meetings, three extraordinary meetings, and one non-management meeting with the external auditor. The management and external auditor were invited to attend the meeting to discuss various issues of concern.

As the Company has changed its major shareholder since 22 February 2017, there were some special and important issues which required opinions of the Audit Committee in a timely manner. Consequently, the meetings were held outside the regular timetable to discuss the issues of the share acquisition of new major shareholder and related transactions items.

The Audit Committee held a non-management meeting once a year with the external auditor without the presence of the Company's management in order to freely discuss issues concerning the preparation of the financial statements, disclosure of information, accounting policies, internal control and management's cooperation, as well as to review other special items so as to obtain sufficient clarifications from the external auditor. The external auditor did not find significant issues which could impact the financial statements. The management provided full support and information as required by the external auditor to perform its duties.

### • Review of quarterly and annual financial statements

Reviewed the financial statements of the Company as well as the consolidated financial statements for the Company and its subsidiaries for ended 2016 and 2017 quarterly reports, in collaboration with the external auditor and the management, prior to submission to the Stock Exchange of Thailand and the public. The review covered significant accounting, reporting issues and their impact on the financial statements, including review of compliance with accounting standards, selection of the accounting policies, as well as proper disclosure of financial statements. The Audit Committee expressed its observations, provided recommendations and obtained clarification from the external auditor and the management to ensure that the financial statements were





credible, complete in compliance with the generally accepted accounting principles, and contained adequate information and timely disclosure. The financial information was complete, correct and reliable in compliance with the generally accepted accounting principles and requirements of relevant laws and regulations.

- **Connected transaction review**

Reviewed the disclosure of connected transactions and potential conflicts of interest to ensure that the Company has conducted its affairs in full compliance with relevant rules and regulations. The related transactions entered with the major shareholder were discussed and carefully reviewed by the Audit Committee to ensure justification and fair pricing taking into account the appropriateness in terms or price, quality and service obtained. Based on the review of commercial transactions undertaken in the normal course of business, no unusual transactions considered material were found.

- **Internal control, internal audit and risk management review**

Advised and monitored the adequacy, appropriateness and effectiveness of the Company's internal control systems and risk management in place

Provided recommendation, on concern of integration activities, to ensure good practices are applied in all

areas of operations, which included the compliance with Japanese version of Sarbanes Oxley (J-SOX) Act which applied to all listed companies in Japan and their subsidiaries. In 2017, based on the assessment of the Company's J-SOX implementation on Company Level Control, which assessed by the major shareholder's internal audit team, the result revealed that the Company's internal control has been effective.

Assessed the internal control in accordance with the SEC's internal control checklist form, whereby the Audit Committee found that the internal control system remains satisfactory, adequate and appropriate for the Company's business operations. In addition,

Reviewed the internal audit reports of the Company's operations and internal auditing processes, including planning, reporting and following up on implementation of the internal auditor's recommendations for improving operational effectiveness and efficiency. Based on its review, the Audit Committee concluded that the Company's internal auditing has been carried out adequately, properly and effectively. All outstanding issues from previous audit reports had been satisfactorily resolved.

Approved the amendment of Internal Audit Charter to enhance the role of control support and to monitor the practice of corporate governance and compliance with the anti-corruption policy.





#### • Corporate governance review

Reviewed overall management of corporate governance in line with regulations and recommendations of the Stock Exchange of Thailand, the Office of the Securities and Exchange Commission and the Thai Institute of Directors (IOD). Although in 2017 the Company has changed its major shareholder, the Company and its subsidiaries still strictly adhere to the good practice of the corporate governance. Resulting from continually conforming to the good corporate governance principles, in 2017, the Company has been assessed and received the Very Good level of corporate governance recognition from the SET, the SEC and the Thai IOD.

Followed-up on the progress of implementing the anti-corruption procedures to ensure the commitment of the Company towards Thailand's Private Sector Collective Action Coalition against Corruption (CAC)

Reviewed reports, submitting via the Company's website, from stakeholders communicating critical issues and complaints regarding accounting, deficient internal control or unethical behaviors. In 2017, there has been no report of such finding through the Audit Committee.

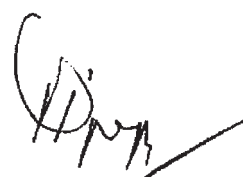
Reviewed the Audit Committee Charter to ensure that the scope of duty and responsibility is in compliance with the requirement of the Stock Exchange of Thailand.

Continued to perform self-assessment of the Audit Committee's overall performance to evaluate its general effectiveness. Based on 2017 self-assessment, which was assessed by all committee members, the result showed that all performance was highly satisfactory, similar to the previous years.

#### • External auditor and audit fee review

Evaluated and selected KPMG Phoomchai Audit Ltd. to be the auditor of the Company and its subsidiaries based on professional expertise, knowledge, experience, engagement and proper remuneration. Consequently, the Audit Committee recommended to the Board of Directors to seek the approval of the shareholders' meeting to appoint Ms. Sirinuch Vimolsathit, or Mr. Waiyawat Kosamarnchaiyakit, or Ms. Sureerat Thongarunsang, as the Company's auditor, and determined the auditor's remuneration for 2017.

Upon consideration of the above issues, the Company's Audit Committee is of the opinion that the Company's financial statements were prepared in accordance with generally accepted accounting principles and adequate disclosure of connected transactions and that the Company conducted its business in compliance with the regulations of the Securities and Exchange Commission and the Stock Exchange of Thailand and related laws. It is further deemed that the internal audit functions, internal control systems, and suitable risk management are effective in ensuring that the Company's financial information is complete, correct and reliable with sufficient disclosure.

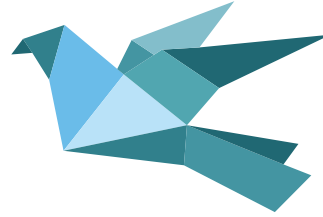


(Mr. Pipop Pruecksamars)

Chairman of the Audit Committee



# CORPORATE SOCIAL RESPONSIBILITY



Even with a significant change in main shareholder structure in early 2017, Vinythai has continued making corporate social responsibility, one of the key strategies in its mid- and long-term business plans. Our management holds sustainability to be a vital concern and it requires all management and staff to comply with relevant measures both internally and in our dealings with our business partners.

The Company refers to ISO 26000 guidelines in implementing the three principle dimensions of its corporate responsibility strategy: economic, societal, and environmental. This includes meeting the expectations and needs of the Company's key stakeholders and incorporating pertinent provisions into its plans. Those key stakeholders include customers, suppliers, employees, the planet, communities, and investors. Relevant action plans are established, monitored and reported by each area owner.





## The Board of Directors' Engagement in Corporate Social Responsibility Practices

The Vinythai Plc Board of Directors' engagement in CSR practices exists at the policy and management levels. The Board of Directors analyzes the previous years' operations and gives suggestions on needed improvements. One aspect of Vinythai's CSR practices that received close attention from the Board in 2017 is anti-corruption efforts. The Management deployed at all levels of the Company the new procedures related to its participation to Thailand's Private Sector Collective Action Coalition against Corruption (CAC) which is coordinated by the Thai Institute of Directors (IOD). This significant move emphatically endorses the Company's commitment to contribute to the elimination of corruption and to the development of stronger ethical behaviors in all its business activities. The Board of Directors' engagement in this process greatly contributes to the accomplishment of the sustainability goals set by the Company which are prioritized according to its economic, environmental and social responsibilities.

## Integrated Management System Policy

Vinythai Group aims to be a sustainable development reference; therefore the Company applies management system excellence practices and adheres to the following key principles;

- **To put safety as the first priority** in every single activity where employees and contractors are working, always improving to attain a zero accident target.
- **To integrate health and environmental principle** into daily activities by ever reducing the key impacts of our businesses – energy consumption, natural resources & resource consumption, emission reduction, including product life cycle perspectives.
- **To comply with all applicable legal requirements, business code of conduct**, and other rules to which the Group subscribes internally and externally.
- **To commit to continual improvement, risk-based approach and preventive principles**, and best practices via established management tools and processes – innovation & suggestion, knowledge management, excellence programs, sustainable development program.
- **To enhance employee engagement and foster the teamwork practices**, in order to develop a “happy” work place.
- **To enhance and deliver satisfaction to the Group's key stakeholders** – customers, suppliers or external providers, communities, including investors.



(Mr. Hiroaki Sano)  
Managing Director



# ECONOMIC RESPONSIBILITY

In terms of economics, the Company understands that its customers, employees, investors and suppliers are directly connected with its operations. As such, the Company's management stresses rigorously organizational management, continually enhanced by ongoing programs. Areas covered include organizational governance, risk management, business continuity management, internal control, internal audit, compliance, and code of conduct, described in below. Organizational management and associated programs thereby constitute infrastructure and frameworks on which to base further development of good corporate governance.

## Organization Governance

The Company's duly established Board of Directors, Nomination & Remuneration Committee, Audit Committee, Business Advisory Committee including Management Committee, and Management Team have clear responsibilities and authorities. There is a job description with delineated responsibilities for every position. Lines of management authority were reviewed in 2017, and amendments made based on relevant transactions and activities.

## Risk Management

Vinythai is united in its risk management efforts and has established Enterprise Risk Management Policies on the basis of its Corporate Policy over Internal Control, supervised by the Management Committee. Risk management programs are reviewed annually, including taking actions to reduce risks, reviewing current risk control measures, and taking further action in priority areas. Risks areas also include product and service defects and inconsistencies, intellectual property and confidential information.

Actions taken to reduce risks are closely monitored to ensure appropriate and effective management. Business Continuity Management is a core approach to managing risk potential.

## Business Continuity Management

The Company's Business Continuity Management (BCM) aims to improve its resilience by readying rapid recovery solutions for rolling out in the event of disruption or disastrous interruption of activities, so that the Company is still able to provide critical services to support all functions. Vinythai has duly formulated a comprehensive Business Continuity Plan (BCP) to cover all accident and disaster eventualities.

The "BCP" is continuously maintained and improved through regular and drills. In 2017, the influenza scenario was reviewed and its BCP trialed. The Company will review other scenarios and create plans for them annually. It will also ensure that all employees understand their roles and responsibilities and are ready to react immediately in an event.





## Internal Control

With a sound framework, Management is proficient in designing, implementing and monitoring internal controls in the course of its duties and responsibilities. In so doing, Management mitigates and reduces potential risks and ensures that staff fully understand and comply with the controls as they are designed.

The Internal audit department reviews Vinythai's internal control system by examining the results of internal control assessment performed by management in accordance with guidelines set forth by the Securities and Exchange Commission (SEC), as well as internal and external audit reports.

Management continuously improves the internal control system based on suggestions from the external and internal auditors. All of this leads to the conclusion that Vinythai has prioritized internal control to ensure its adequacy and effectiveness. Additionally, in 2017, Vinythai applied J-SOX internal control over financial reporting.

## Internal Audit

To ensure that Management performs efficiently and effectively, the Company has established a framework that assigns the Internal Audit Department to oversee the system and related tasks. Each audit monitors each Management area's respective organization and identifies areas for improvement. The Internal Audit leader reports the results to the Audit Committee and Board of Directors.

## Compliance

Vinythai's Legal and Compliance Manager is assigned to monitor and oversee the Company's proper business operation and legal compliance. Vinythai establishes and implements its Code of Conduct as a matter of compliance for its underlying business activities. The Code of Conduct sets out specific business conduct requirements and all Director, Management and staff are required to be guided by the code in their daily work and decision-making.

## Code of Conduct

Vinythai's Business Code of Conduct promotes accountability and transparency and standardizes processes throughout the supply chain.

The Company is committed to treating the Code of Conduct as an opportunity for every employee to renew their awareness of compliance and have a clearer perspective of the Company's business affairs and the role of workplace.

A new edition of the Code of Conduct was approved in December 2017, and implemented according to AGC Group guidelines. A further announcement on the topic and refresher training is starting and will be completed by mid of 2018.



## Product Stewardship

With a commitment to the "Responsible Care Initiative" to reduce impact to Health, Safety and Environment from the supply chain, in year 2017, the Company maintained the rigorous Product Stewardship Guidelines and Programs.

The guidelines are used as references for planning, regulating and controlling raw materials selection, processes, storage, transportation, product use and reuse & disposal.

The key activities implemented are as follows:

- Reviewing the risk assessment of products health impact and ensuring the control measures are effectively implemented. This risk assessment covers all marketed products.
- Improving the product safety documentation in accordance with the Globally Harmonized System of Classification and Labelling of Chemicals (GHS) and revised in accordance with new changes.
- Providing product safety training to customers and transporters on the safe handling.
- Reviewing and updating on the new/changes in regulatory associated with products on the regular basis to ensure the compliance.



## ESG100 Classification

In 2017, Vinythai was ranked by Thaipat Institute as one of the 100 top-performing companies in environmental, social and governance areas.

Thaipat Institute applied ESG criteria for an industrial sector as follows:

1. Management of energy, water, air & waste
2. Emissions of greenhouse gases
3. Product safety
4. Management of health, safety & emergency situations
5. Materials sourcing



Vinythai was assessed that is well-managed according to each criteria.

## Innovation and Suggestion Management

The Innovation Committee is nominated to run and promote Innovation & Excellence activities. The committee supports, rewards and recognizes employees for their ideas. Employees are encouraged to submit suggestions for improving safety, productivity, quality and cost-effectiveness, and better serving the customer. The committee organizes an annual Innovation & Suggestion Event that recognizes and celebrates outstanding innovations that have been implemented.

A ratio of 1.5 innovations and suggestions per employee was achieved in 2017. Examples of outstanding innovations included: 1) saving 50% membrane replacement duration, and 2) reducing queue time by 20% using visual logistics management.

### Employee Innovation Awards 2017:

**“The Company’s greatest sources of innovation are its employees”**



## Integrated Management Systems

Each year, department heads set integrated management objectives and targets. Actions are taken to achieve the targets. Performance is monitored and progress is periodically reported to senior management. Performance feedback is communicated to staff via the Company's intranet. Staff can also track key performance indicator (KPI) progress and other relevant matters via the intranet.





## Product Licenses

The Company has gained the following recognitions and certifications:

- Thai Industrial Standards Institute license to display a Standard Grade stamp on PVC piping resin.
- Thai Industrial Standards Institute license to display a Quality Level 1 stamp on 32% & 50% sodium hydroxide.
- Food and Drug Administration (FDA), Ministry of Public Health, Thailand, license to display an FDA stamp on 32% & 50% sodium hydroxide food additive.
- The Central Islamic Committee of Thailand license to display a Halal stamp on 32% & 50% sodium hydroxide food additive.
- Thai Kashrut Services Ltd., the Jewish Community of Thailand, certification to display a Kosher stamp on caustic soda product.
- Thailand Greenhouse Gas Management Organization (TGO) license to display a carbon reduction label for PVC suspension, PVC emulsion, 32% & 50% sodium hydroxide, and epicerol.



## Management Standards

The Company has gained certifications as follows:

- ISO 9001:2015 certification, assessed by Bureau Veritas Certification Thailand, since 1997.
- ISO 14001:2004 certification, assessed by Bureau Veritas Certification Thailand, since 1999.
- OHSAS 18001:2007 certification, assessed by Bureau Veritas Certification Thailand, since 2001.
- ISO/IEC 17025:2005 Laboratory accreditation, certified by the Thai Industrial Standards Institute (TISI), since 2004.
- GMP certification & HACCP certification of caustic soda, assessed by Bureau Veritas Certification Thailand, since 2014.
- Roundtable on Sustainable Biomaterials (RSB) certification, assessed by SCS Global Services Company, USA, since 2015.
- Carbon Footprint Label issued by the Thailand Greenhouse Gas Management Organization (TGO) for carbon dioxide emission reduction during production of PVC suspension, PVC emulsion, sodium hydroxide, and intermediate products, namely, vinyl chloride monomer, ethylene dichloride and epichlorohydrin, since 2011.
- Green Building Council of Australia (GBCA) – Green Star Credit Best Practice Guidelines PVC, as assessed by Lloyd's Register Quality Assurance Limited, since 2014.

In 2017, Vinythai successfully upgraded its Quality Management System to the new ISO 9001:2015 version. To ensure effective implementation of the Integrated Management System, the Company's Management System Auditor audited the Company's ISO 9001, ISO 14001, OHSAS 18001, GMP and HACCP performance and applicable product standards. The audit indicated satisfactory performances throughout.



## Customer Satisfaction Survey

In monitoring and measuring customer satisfaction with respect to its PVC, caustic soda and finished products, the Company surveys domestic and international customers in collaboration with independent agencies. Feedback from the surveys is used to develop marketing plans tailored to individual customers and market trends. Implementation of the plans further strengthens the Company's business dynamic going forward.

Customer visits, both within and outside Thailand, in 2017 indicated consistently high levels of satisfaction. All issues raised have been resolved and Vinythai remains committed to continuing to raise its customer satisfaction levels in each area in the coming year and beyond.

Similar surveys conducted inside the Company aim to further enhance customer satisfaction. Essentially, the internal survey scrutinizes laboratory production testing services, maintenance & engineering services, production, warehousing, and other areas, with a view to streamlining processes and improving efficiency.

The Company also tracks customer complaints and takes steps to prevent or resolve any issues or problems arising. The volume of customer claims and complaints in 2017 was 70% lower than in 2016, evidencing significantly improved performance.

# ENVIRONMENTAL RESPONSIBILITY

With its strong commitment to environmental governance, the Company seriously implements its environmental management and program in accordance with stringent legal and regulatory requirements and increasing the efficiency of environment resources consumptions with the less impacts.

- **Assessment:** Regular environmental assessments are thoroughly reviewed. Programs, Corrective and Preventive measures are implemented to lessen environmental impacts.
- **Efficiency:** Implemented the projects to maximize the efficiency of environmental resources consumption by taking into account in using raw materials, water and energy with ensure less environmental impacts.
- **Air Emissions Controls:** The Company has rigorously implemented the highly efficient and cutting-edge technology for air emission prevention called "Leak Detection and Repair – LDAR" guidelines in performing its VOC management. This program helps to immediately notice for any small leaks and enable us to promptly taking actions to repair such leak.
- **Waste Management "ZERO WASTE TO LANDFILL":** With an aim to reduce the solid wastes, the company continuously implements 3Rs (Reduce, Reuse, Recycle) principles according to the Department of Industrial Works' waste management guideline. In 2017 we could recycle 97% of industrial wastes.
- **Dialogue and Transparency:** the Company arranged visit and provided the performance on the environmental performance to external stakeholders on the regular basis.





## Effective Energy Consumption

Vinythai is committed to, and considers itself responsible for, contributing to a better environment and sustainable society.

Our designated environmental activities reduce greenhouse gas emissions and promote effective energy consumption, and are fully compliant with applicable regulations and relevant standards.

Since our inception, we have monitored and taken steps to minimize our greenhouse gas emissions. We continue to strive for ever higher standards, wherever possible curtailing any impact on emissions from our manufacturing activities, whether direct or indirect.

In 2017, despite an increase in production at 11%, Vinythai declared 573,000 tons of CO<sub>2</sub> greenhouse gas emissions, a significant 25% or 194,000 ton reduction from the 2013 baseline. This has mainly been achieved through optimization of energy-consuming processes (steam, electricity, natural gas) and also upgrading equipment for better efficient electricity consumption such as replacing the chillers in PVC production.

# SOCIAL RESPONSIBILITY

Vinythai's policy regarding its role with respect to community, society and environment, as defined in its Corporate Governance manual, lays the ground-rules for the Company's sustainable operation and contribution to the welfare of society.

The Company conducts itself as a good corporate citizen and operates its business in accordance with its clearly defined duties and responsibilities to society and environment which are

- Creating business practices and implementing activities that are responsible and beneficial to society, both in the short and long term, and focusing on business transactions with trade partners who share common intentions regarding social and environmental responsibility.
- Supporting learning and skills development among youths and the public and promoting awareness of natural resources and environment preservation in communities and Thai society.
- Providing correct information, creating understanding, and listening to problems and information about impacts on surrounding

communities with a view to implementing appropriate solutions, all based on the principle of co-existence between the Company's plants and communities for mutual benefit and without conflict.

- Supporting beneficial activities, especially in areas where the Company's businesses are located, taking into consideration suitability and providing sustainable benefits to society and communities.
- Supporting public activities and national development policy for the country's benefit as a whole.
- Considering how to utilize natural resources with minimum impact on society, the environment and quality of life.

The aim of mutual benefit and harmony between the Company's industrial activities and society is further enhanced as follows:

## 1. Health and Safety of Employees and Surrounding Communities

In 2017, the Company implemented the following health and safety projects:



## Community Health and Safety

- In collaboration with Noenphra Municipality and communities, Vinythai organized the 8<sup>th</sup> Noenphra-Vinythai Super Minimarathon for the HRH Princess Soamsawali Cups. The event involved around 4,000 participants from across the country. Organized since 2010, the event celebrated His Majesty the King's 84<sup>th</sup> birthday. The ongoing project is acclaimed for encouraging youngsters and the public to exercise and for promoting the tourism potential of Sangchan-Suchada Beach.
- In collaboration with Map Ta Phut Industrial Estate and the Office of Disaster Prevention and Mitigation, Map Ta Phut Municipality, the Company staged a rehearsal of the Community Emergency Preparedness Plan for Soi Prapa community. The objective of this project is to ensure that locals, teachers and students know how to manage crises when they occur and can minimize the risk of loss of life and/or impairment of natural resources.
- On Open House Day, 160 locals from eight communities in Map Ta Phut visited Vinythai's plant to learn how it applies rigorous quality, health, safety, environment and social measures to its production, followed by a guided tour of the plant. Questions raised and suggestions made were answered and noted in a spirit of helpfulness and transparency. The party then proceeded to Vinythai's Coral Cultivation project at the Samaesan Community in Chon Buri Province.

## Health and Safety for Employees and Business Partners

### Occupational Safety – Driving to “Zero Incidents” Organization

The systematic risk assessments in relation to activities performed, monitors for potential hazards at the earliest stage, thereby ensuring the risks are minimized is the key success in safety. Several development programs have been introduced, including safety management system guidelines, as follows:

- Conducting systematic risk assessment and following plans to avoid or mitigate the impact of

such risks with continuous training to all concerned employees are provided regularly. In 2017, all employees received at least 15 hours of safety training.

- Strengthening the safety standards in the facility are deployed and implanted to avert serious and accidents with irreversible consequences: Pedestrian and Vehicles Ways, Fall Protection systems.
- “Behavior Based Safety – BBS” is implemented to continuously promote a safety culture throughout the Company. In 2017, over 6,000 dialogues were initiated with employees and business partners.
- Leadership Visits for safety were carried out by the Company's top management throughout the year in 2017 and covering all manufacturing areas.
- The 22<sup>st</sup> HSE Day was organized with the aims of raising Vinythai employees, contractors and suppliers' awareness in safety, environment, health and energy.

The Company achieved in maintaining the safety record in year 2017 without the lost time accident occurred both staff and business partners with more than 3 Million worked-hours since the last lost time accident.

## Health Risk Assessment

The Company has voluntarily and proactively implemented the high level of health risk management system with its annual review of the program and the progress with the concerned staff.

Critical Task Exposure to chemical is implemented to study and analyze risks and impacts to operators' health covering every area and activity. The information gained from the analysis is used to develop the control measures.

The monitoring of the working area is carried out regularly to ensure the working environment is under the committed voluntary and stringent standards.



### Process Safety Management Program Enhancement

The Company has operated and maintained its plant and asset integrity in such a way that all risks are appropriately managed. The Company implements the “Process Safety Management” in accordance with the IEAT’s Guidance. The Quantitative Risk Analysis are carried out with qualified persons to define risk control measures and maintain process safety reliability, as follows:

- Reviewing risks that may impact production processes and safety analysis systems every five year by applying internal risk analysis practices. In each year, more than 70 equipment and processes are reviewed by the qualified risk analysis team.
- The internal audit of Process Safety Management was carried out throughout the Company to determine the areas for improvement of safety in process.
- Sharing cases and experiences from other organizations with employees and designing preventive measures accordingly.
- The Company also prepared to response effectively in case of the emergency event, in year 2017, we conducted the emergency response plan drills more than 50 times including with external fire brigade.

Moreover, the Company supported the initiative for strengthening the safety of communities by educating and supporting the emergency response plan development and manual for villages and local school.

### Transportation Safety and Risk Management

In collaboration with transport service providers, the Company established internal “Safety and Quality Assessment System – SQAS” based on the international standards in order to ensure reliable delivery to customers.

Moreover, the Company took several steps to avoid transport accidents. These included: training

truck drivers in hazardous chemicals transportation; providing truck check-ups aligned with international standard; installing GPS tracking devices in trucks, and; maintaining an active role in the “Chlor-alkali Agreement for Transportation Emergency Mutual Aid Group, CATEMAG”, the well-recognized organization initiated by chlor-alkali manufacturers and transport service providers in Thailand to inspect Emergency Response Centers while audits and emergency response drills are regularly conducted.

The customers safety are very important for us, the Company also provided the safety in handling of our products to the customers periodically to ensure the safety during loading, using, handling of our products.

## 2. Environmental Conservation and Management

Vinythai has engaged in a wide range of environmental conservation activities, notably:

- 120 Vinythai members and their families in collaboration with Map Ta Phut Industrial Estate Authority, 28 industrial enterprises and communities, enthusiastically participated in the 15<sup>th</sup> International Coastal Cleanup along 11.5 kilometers of Mae Rumphueng Beach. The annual cleanup raised over 2,500 people’s awareness of coastal protection and garbage management and helped to improve the environment.
- Vinythai has for many years, since 2008, been a key supporter of the Starting Coral Cultivation (80,000 branches) for His Majesty the late King Bhumibol Adulyadej Project which revives coral beds by cultivating coral on artificial structures and planting them in the sea. Although 80,000 coral branches have been completely cultivated at all 5 target areas since October 2016, the project is continually carried out to welcome students and public joining coral cultivations activities.

In 2017, there were 7,942 students from 85 schools and 26 universities, and 3,189 people from 61 private and governmental organizations participating in coral cultivation activities. In total, the number of participants is 11,131 persons.



Department of Marine and Coastal Resources, Ministry of Natural Resources and Environment, visited all 5 target areas during 25 - 31 October 2016 to inspect the result of the project. They reported that coral branches in PVC nursery grew well and could be used for coral reef rehabilitation in other areas. Moreover, there were many kinds of sea life living and gaining benefit from the coral in the nursing area.

- Twenty Vinythai volunteers synergized with around 300 AGC family members in Thailand in enhancing green area by planting thousands of trees at Khao Eto, Prachin Buri Province.

### 3. Educational Support for Youths

- During the time that global rice price dropped because of oversupply and lower demand, Vinythai was one of the factories who showed its support to farmers by ordering one ton of rice from Industrial Estate Authority of Thailand; then, donating that all amount of rice to 14 schools in Map Ta Phut.
- Thirty scholarships were presented to students who are in need from Wat Huai Pong school by Vinythai management.
- From 2008 - 2017, the Company supported the instruction of almost 78,000 students and teachers in coral reef life cycles, benefits of coral reefs to ecosystems, and how to cultivate coral with PVC pipes.

### 4. Activities Supporting Religion, Traditions and Important National Days

The Company cooperates with communities, temples, schools and public sector entities in Map Ta Phut, to organize events and activities that respect and celebrate the religions, cultures and traditions of Thailand. In 2017, the Company cooperated with surrounding communities to fund and organize the annual ceremonial presentation of robes at Huay Pong temple. Other examples include the pouring of water onto the hands of revered elders and seeking their

blessing during the annual Thai New Year “Songkran” festival, and supporting the renovation of a mosque in Islam Community in Map Ta Phut. In addition, Company staff regularly volunteers for worthy causes undertaken as part of significant national celebrations such as His Majesty the late King Bhumibol Adulyadej’s Birthday (Father’s Day) and Her Majesty Queen Sirikit’s Birthday (Mother’s Day).

### 5. Occupational Development and Community Well-being

Vinythai staff regularly visit communities around Map Ta Phut to spread awareness and understanding of the Company’s operations and synchronize areas of mutual interest. The Company listens and responds to suggestions that help resolve issues and generate income in the communities. Vinythai has formed an occupational group comprised of members of Map Kha - Map Nai, Soi Ruam Phatthana and Ban Plong communities and empowered it to develop community members’ skills so that they can produce handicrafts of commercial quality and viability. The Company’s support includes arranging expertise-raising in-house training courses taught by professionals, and supporting marketing efforts. As an active member of the Community Partnership Association, Vinythai together with other members support Hua Namtok Phatthana occupational group to join an initiative of the Association’s to leverage community enterprise in accordance with the effective Thammasat Model.





# MANAGEMENT DISCUSSION & ANALYSIS

The Company wishes to present the Management Discussion & Analysis (MD&A) on the operating and financial status for the year 2017. The MD&A would enable the investors to better understand the Company and its subsidiaries' 2017 audited financial statements.

## An Analysis of Performance \*

### Analysis of Income

The Company and its subsidiaries recorded the total revenue of 19,403 MTHB of which 19,282 MTHB earned from sales revenue. The sales revenue increased by 3,623 MTHB or 23% comparing to the year 2016. The increment mostly derived from higher selling price across all products, particularly PVC, Caustic Soda and ECH, according to the market price trends caused by limited supply from China. The sales volumes also increased for all products, mainly as a consequence of higher Caustic Soda sales from lower EDC purchase plus greater ECH sales from the additional volume to China, Taiwan and Indian accounts. The share of domestic and export sales have no significant change comparing to the previous year.

| Sales Revenues                         | 2017          |              | 2016          |              |
|--|---------------|--------------|---------------|--------------|
|  | MTHB          | %            | MTHB          | %            |
| <b>Domestic Sales</b>                  |               |              |               |              |
| 1. PVC Resins                          | 5,418         | 28.1         | 5,885         | 37.6         |
| 2. Caustic Soda                        | 4,017         | 20.8         | 2,225         | 14.2         |
| 3. VCM                                 | 1,667         | 8.6          | 1,516         | 9.7          |
| 4. ECH                                 | 649           | 3.4          | 570           | 3.6          |
| 5. Others                              | 79            | 0.4          | 61            | 0.4          |
| <b>Total Domestic Sales</b>            | <b>11,830</b> | <b>61.4</b>  | <b>10,258</b> | <b>65.5</b>  |
| <b>Export Sales</b>                    |               |              |               |              |
| 1. PVC Resins                          | 4,440         | 23.0         | 3,484         | 22.2         |
| 2. Caustic Soda                        | 65            | 0.3          | -             | -            |
| 3. VCM                                 | -             | -            | -             | -            |
| 4. ECH                                 | 2,947         | 15.3         | 1,917         | 12.2         |
| <b>Total Export Sales</b>              | <b>7,451</b>  | <b>38.6</b>  | <b>5,401</b>  | <b>34.5</b>  |
| <b>Domestic and Export Sales</b>       |               |              |               |              |
| 1. PVC Resins                          | 9,857         | 51.1         | 9,369         | 59.8         |
| 2. Caustic Soda                        | 4,082         | 21.2         | 2,225         | 14.2         |
| 3. VCM                                 | 1,667         | 8.6          | 1,516         | 9.7          |
| 4. ECH                                 | 3,596         | 18.6         | 2,488         | 15.9         |
| 5. Others                              | 79            | 0.4          | 61            | 0.4          |
| <b>Total Domestic and Export Sales</b> | <b>19,282</b> | <b>100.0</b> | <b>15,659</b> | <b>100.0</b> |

\* Note Please find further information in the consolidated financial statements.



## Analysis of Costs and Expenses

1. In 2017, Cost of sales was 15,317 MTHB, increased by 1,778 MTHB comparing to 2016 or 13% as a result of higher sales volume and Ethylene and Glycerin price increase. The rise of Ethylene price was influenced by both tight Ethylene supply from crackers maintenances and low Methanol-to-Olefins operating rate. Strong Ethylene demand derived from greater China's consumption and higher Ethylene derivatives' margin. Meanwhile, the hike in Glycerin price was driven mostly from its limited supply led by the impact of USA's Anti-Dumping Duty to biodiesel imported from Argentina and Indonesia plus low Oleochemicals and Biodiesel industries' operating rates in respond to high vegetable oil price.

Despite the increase of main raw material costs, the products' spread margin was improved together with the reliability of production unit throughout the year 2017. The Company and its subsidiaries have been able to increase the Gross Profit margin by 7% compared to the year 2016.

2. In 2017, distribution costs, administrative expenses, and doubtful debt expenses was 1,719 MTHB, increased by 546 MTHB or 47% from 2016. This increment was mainly from the loss on written-off and disposal of plant and equipments and intangible assets of Solvay Biochemicals (Taixing) Limited ("SBT"). Moreover, it was also caused by the transitional service expense plus the additional transportation and commission costs.

## An Analysis of Financial Status \*

### Analysis of Assets

As at 31 December 2017, the Company and its subsidiaries had 19,879 MTHB of the total assets, which was increased 1,300 MTHB or 7% from previous year.

Details of the major changes were following:

1. As at 31 December 2017, the Company and its subsidiaries had net cash and cash equivalents amounting to 5,213 MTHB, increasing 2,005 MTHB or 63% comparing to 3,207 MTHB at the end of 2016. (see further information in analysis of cash flow)

2. The balance of trade receivables at the end of 2017 was 2,605 MTHB, increasing by 633 MTHB comparing to 1,972 MTHB at the end of 2016. Most of the receivables were not yet due. For the corresponding bad debt, the Company had already set sufficient provision.

3. The balance of other receivables at the end of 2017 was 12 MTHB, decreasing by 119 MTHB comparing to 131 MTHB at the end of 2016. The decrement mostly came from the receipt of 111 MTHB insurance claims receivable from electricity blackout incidence in July 2016.

4. The Company and its subsidiaries had net inventories at the end of 2017 amounting to 1,113 MTHB, increasing from 962 MTHB of the year 2016.

5. At the end of 2017, the Company and its subsidiaries had net property, plant and equipment, intangible assets, and assets not used in operation amounting to 9,962 MTHB or decreasing by 1,279 MTHB comparing to 11,241 MTHB at the end of 2016, mainly from normal depreciation and the disposal and written-off of SBT's assets not used in operation.

6. The balance of deferred tax assets at the end of 2017 was 306 MTHB, decreasing by 94 MTHB comparing to 400 MTHB at the end of 2016 due to the reverse of deferred tax assets from loss carried forward in 2017 amounting to 101 MTHB.

### Analysis of Liabilities

The Company and its subsidiaries had total liabilities at the end of 2017 amounting to 2,011 MTHB which decreased by 404 MTHB or 17% comparing to 2016. The major change of the liabilities was the repayment of long-term loan amounting to 618 MTHB. As at 31 December 2017, the Company and its subsidiaries had no loan outstanding compared to 2016.

### Analysis of Shareholders' Equity

As at 31 December 2017, the shareholders' equity was 17,868 MTHB which increased by 1,704 MTHB or 11% comparing to 16,164 MTHB at the end of 2016. The increment was mainly from the net profit of 2016 offset with dividend paid to its shareholders.





## Analysis of Cash Flow

As of 31 December 2017, the Company and its subsidiaries' Cash Flow Statement presented 5,213 MTHB of cash and cash equivalents. The sources and uses of funds were following:

1. In 2017, the net cash flow from operating activities was 3,409 MTHB which increased by 864 MTHB or 34% comparing to 2016 from the Company's better operating results.

2. In 2017, the net cash flow used in investing activities was 221 MTHB, increased by 15 MTHB comparing to its amount of 206 MTHB in 2016. The reason was more purchase of machinery and equipment by the Company and its subsidiaries in 2017 comparing to last year.

3. In 2016, the net cash flow used in financing activities totaling of 1,181 MTHB mainly from the repayment of long-term loan 618 MTHB and dividends paid to shareholders 533 MTHB.

|   |              |      |
|---|--------------|------|
| Net cash flow from operating activities                     | 3,409        | MTHB |
| Net cash flow used in investing activities                  | (221)        | MTHB |
| Net cash flow used in financing activities                  | (1,181)      | MTHB |
| Increase in translation adjustments of its subsidiary (SBT) | (2)          | MTHB |
| Net increase in cash and cash equivalents                   | <u>2,005</u> | MTHB |

## Financial Ratios

|                     | 2017  | 2016  |
|---------------------|-------|-------|
| Gross Profit margin | 20.6% | 13.5% |
| Net Profit margin   | 11.6% | 7.1%  |
| Debt to Equity      | 0.11  | 0.15  |
| Earnings per share  | 1.90  | 0.95  |
| ROA                 | 12.3% | 6.2%  |
| ROE                 | 13.2% | 7.1%  |

|                        |   |  |
|------------------------|---|--|
| Gross Profit margin    | = | Gross Profit (Total Sales – Costs of Sales) to Sales                 |
| Net Profit margin      | = | Net Profit to Total Revenues   |
| Debt to Equity         | = | Total Liabilities to Total Equity                                    |
| Return on Assets (ROA) | = | Profit before financial costs and income tax to average Total Assets |
| Return on Equity (ROE) | = | Net Profit to average Total Equity                                   |

Yours faithfully,



(Mr. Hiroaki Sano)

Managing Director



# RESPONSIBILITY STATEMENT FROM THE BOARD OF DIRECTORS ON THE DISCLOSURE OF THE FINANCIAL REPORT

The Board of Directors recognizes its duties and responsibilities towards the importance of conformity with all applicable rules and regulations in preparing financial statements for each financial year.

The financial statements of Vinythai Public Company Limited and its subsidiaries have been prepared with careful consideration, in compliance with the generally accepted accounting principles in Thailand, under Accounting Act B.E. 2543 (A.D. 2000), the financial reporting requirement of the Securities and Exchange Commission under the Securities and Exchange Act B.E. 2535, and other appropriate accounting policies.

The Company has disclosed all important information in the Notes under the Financial Statements, in a proper and fully transparent manner.

The Board of Directors provides and maintains appropriate and efficient internal control systems, ensuring that all accounting records are accurate, complete and sufficient to prevent fraud or mismanagement and to protect the Company's assets.

In this regard, the Board of Directors has appointed the Audit Committee to review the financial reporting and internal control. The Audit Committee has monitored, evaluated, commented on, and reported to the Board of Directors the findings of the external auditor, KPMG Phoomchai Audit Limited, and the Internal Audit Department, including the key audit matters presented in the Independent Auditor's Report to the shareholders of Vinythai Public Company Limited, so as to ensure the development of a thorough risk management program as well as comply with major shareholders policy. The Committee also ensures that internal control systems are adequate, appropriate and in compliance with all relevant laws and regulations. The Audit Committee's Report is presented accordingly in this Annual Report.

The Board of Directors agrees that the overall internal control systems of the Company are satisfactory. It further concurs that the financial statement of Vinythai Public Company Limited and its subsidiaries for the year ending 31 December 2017 has been prepared in accordance with the generally accepted accounting principles in Thailand and that it complies with all relevant rules and regulations.





# Vinythai Public Company Limited and its Subsidiaries

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

### Independent Auditor's Report

#### To the Shareholders of Vinythai Public Company Limited

##### *Opinion*

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

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

##### *Basis for Opinion*

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

##### *Key Audit Matters*

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



# Vinythai Public Company Limited and its Subsidiaries

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

Valuation of investment in and loans to subsidiaries in the separate financial statements and valuation of property, plant and equipment and intangible assets of subsidiaries in the consolidated financial statements

Refer to Notes 3(k), 4, 10, 11, and 12 to the financial statements.

| The key audit matter  | How the matter was addressed in the audit   |
|---|---|
| <p>One of the Group's business in Biochemical segment faced a number of challenges in the markets including the volatility of Epichlorohydrin prices and Glycerine prices due to their market situation and the shortage of supply, respectively. These factors, which the Group expects to persist in the foreseeable future, resulted in an operating loss of a wholly-owned subsidiary has been incurred which are indicators of impairment.</p> <p>The Group determines the recoverable amounts of assets using the asset's value in use. This involves significant judgements and estimates by management and since the balance of the assets is significant, so this is a focus area in my audit.</p> | <p>My audit procedures in this area included, among others:</p> <p>Obtaining an understanding of management's procedures for identifying an indication of impairment, impairment testing process as well as assessing the appropriateness of the identification of cash-generating units based on my knowledge of the client.</p> <p>To challenge the recoverable amounts of assets using the value in use, I:</p> <ul style="list-style-type: none"> <li>• checked the calculation of the estimated future cash flows, evaluated the appropriateness of the key assumptions applied by management, and compared these inputs with externally derived data and the business plan;</li> <li>• assessed the appropriateness of the forecasts by evaluating historical forecasting with actual results for the year;</li> <li>• challenged sensitivity analysis prepared by management around the key drivers of growth rates and discount rate used in the cash flow forecasts.</li> </ul> <p>I also evaluated the adequacy of the disclosures in accordance with Thai Financial Reporting Standards.</p> |



# Vinythai Public Company Limited and its Subsidiaries

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

| Recognition of deferred tax assets   |  |
|--|--|
| Refer to Notes 3(s), 13 and 24 to the financial statements.  |  |
| The key audit matter   | How the matter was addressed in the audit  |
| <p>The Company has been granted privileges by the Board of Investment resulting the Company has recognised a deferred tax assets of Baht 260 million in respect of a portion of unused tax losses. The recoverability of recognised deferred assets is in part dependent on the Company's ability to generate future taxable profits sufficient to utilise tax losses (before tax losses expire).</p> <p>Future taxable profits involves significant judgements and estimates by management and since the balance of the assets is significant, so this is a focus area in my audit.</p> | <p>My audit procedures in this area included, among others:</p> <ul style="list-style-type: none"> <li>• reconciling tax losses and expiry dates to tax report as well as inspecting promotional privileges granted with the promotional certificates.</li> <li>• checking the calculation of forecast future taxable profits, assessing the appropriateness of the forecasts by evaluating historical forecasting with actual results for the year, and comparing the key assumptions applied by management in forecast future taxable profits and business plan.</li> <li>• evaluating the adequacy of the disclosures in accordance with Thai Financial Reporting Standards.</li> </ul> |

### Other Information

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

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

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

### Responsibilities of Management and Those Charged with Governance for the Consolidated and Separate Financial Statements

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



## Vinythai Public Company Limited and its Subsidiaries

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

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

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

#### *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements*

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

*As part of an audit in accordance with TSAs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:*

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





# Vinythai Public Company Limited and its Subsidiaries

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

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

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

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

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



(Sirinuch Vimolsathit)  
Certified Public Accountant  
Registration No. 8413

KPMG Phoomchai Audit Ltd.  
Bangkok  
23 February 2018



# Vinythai Public Company Limited and its Subsidiaries

## Statement of financial position

| Assets | Note | Consolidated<br>financial statements<br>31 December |      | Separate<br>financial statements<br>31 December |      |
|--------|------|---|------|---|------|
|        |      | 2017  | 2016 | 2017  | 2016 |

(in Baht)

*Current assets*

|   |      |                      |                      |                      |                      |
|---|------|----------------------|----------------------|----------------------|----------------------|
| Cash and cash equivalents                             | 5    | 5,212,891,690        | 3,207,225,925        | 4,964,071,499        | 3,011,735,786        |
| Trade accounts receivable                             | 4, 6 | 2,605,022,395        | 1,972,236,260        | 2,017,190,012        | 1,731,913,744        |
| Other current receivables                             | 4, 7 | 12,307,009           | 130,929,320          | 32,051,217           | 149,568,737          |
| Short-term loans to subsidiaries                      | 4    | -                    | -                    | 1,861,598,210        | 1,411,320,590        |
| Current portion of long-term loans<br>to subsidiaries | 4    | -                    | -                    | -                    | 1,238,086,667        |
| Inventories   | 8    | 1,113,490,467        | 962,426,715          | 847,892,105          | 724,467,716          |
| Other current assets                                  |      | 265,000,039          | 264,411,860          | 116,548,165          | 64,019,949           |
| <b>Total current assets</b>                           |      | <b>9,208,711,600</b> | <b>6,537,230,080</b> | <b>9,839,351,208</b> | <b>8,331,113,189</b> |

*Non-current assets*

|  |    |                       |                       |                      |                       |
|--|----|-----------------------|-----------------------|----------------------|-----------------------|
| Investment in associate                        | 9  | 386,440,432           | 386,064,813           | 397,678,320          | 397,678,320           |
| Investments in subsidiaries                    | 10 | -                     | -                     | 84,222,748           | 1,454,097,446         |
| Long-term loans to subsidiaries                | 4  | -                     | -                     | 1,833,766,667        | 1,757,054,709         |
| Property, plant and equipment                  | 11 | 9,728,013,624         | 10,666,694,135        | 6,944,625,379        | 7,645,749,446         |
| Intangible assets                              | 12 | 234,162,856           | 247,664,854           | 51,533,776           | 44,945,020            |
| Assets not used in operation                   | 10 | 5,888                 | 326,170,617           | -                    | -                     |
| Deferred arrangement fee<br>for long-term loan |    | 2,759,523             | 4,139,285             | -                    | -                     |
| Deferred tax assets                            | 13 | 305,966,223           | 399,503,467           | 305,966,223          | 399,503,467           |
| Other non-current assets                       |    | 12,904,604            | 11,533,653            | 8,415,136            | 6,515,919             |
| <b>Total non-current assets</b>                |    | <b>10,670,253,150</b> | <b>12,041,770,824</b> | <b>9,626,208,249</b> | <b>11,705,544,327</b> |

|                     |  |                       |                       |                       |                       |
|---------------------|--|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Total assets</b> |  | <b>19,878,964,750</b> | <b>18,579,000,904</b> | <b>19,465,559,457</b> | <b>20,036,657,516</b> |
|---------------------|--|-----------------------|-----------------------|-----------------------|-----------------------|

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



# Vinythai Public Company Limited and its Subsidiaries

## Statement of financial position

|  |       | Consolidated<br>financial statements<br>31 December |                | Separate<br>financial statements<br>31 December |                |
|--|-------|---|----------------|---|----------------|
| Liabilities and shareholders' equity       | Note  | 2017  | 2016           | 2017  | 2016           |
| (in Baht)                                  |       |   |                |   |                |
| Current liabilities                        |       |   |                |   |                |
| Trade accounts payable                     | 4, 15 | 1,540,887,831                                       | 1,347,829,013  | 1,249,938,015                                   | 1,138,479,248  |
| Other current payables                     | 4, 16 | 171,734,690   | 180,334,577    | 146,511,847                                     | 132,901,978    |
| Current portion of long-term borrowings    | 14    | -   | 618,353,828    | -   | 618,353,828    |
| Other current liabilities                  | 4, 17 | 128,350,499   | 113,026,158    | 105,081,158                                     | 93,614,320     |
| Total current liabilities                  |       | 1,840,973,020                                       | 2,259,543,576  | 1,501,531,020                                   | 1,983,349,374  |
| Non-current liability                      |       |   |                |   |                |
| Provisions for employee benefits           | 18    | 169,766,099   | 155,187,812    | 169,766,099                                     | 155,187,812    |
| Total non-current liability                |       | 169,766,099   | 155,187,812    | 169,766,099                                     | 155,187,812    |
| Total liabilities                          |       | 2,010,739,119                                       | 2,414,731,388  | 1,671,297,119                                   | 2,138,537,186  |
| Shareholders' equity                       |       |   |                |   |                |
| Share capital:                             | 19    |   |                |   |                |
| Authorized share capital                   |       | 7,111,160,664                                       | 7,111,160,664  | 7,111,160,664                                   | 7,111,160,664  |
| Issued and paid-up share capital           |       | 7,111,160,664                                       | 7,111,160,664  | 7,111,160,664                                   | 7,111,160,664  |
| Share premium:                             |       |   |                |   |                |
| Share premium on ordinary shares           | 19    | 1,303,712,790                                       | 1,303,712,790  | 1,303,712,790                                   | 1,303,712,790  |
| Retained earnings:                         |       |   |                |   |                |
| Appropriated                               |       |   |                |   |                |
| Legal reserve                              | 20    | 711,116,066   | 711,116,066    | 711,116,066                                     | 711,116,066    |
| Unappropriated                             |       | 8,667,083,234                                       | 6,954,815,427  | 8,667,986,474                                   | 8,771,844,892  |
| Other components of shareholders' equity   |       | 75,152,877  | 83,464,569     | 286,344   | 285,918        |
| Total shareholders' equity                 |       | 17,868,225,631                                      | 16,164,269,516 | 17,794,262,338                                  | 17,898,120,330 |
| Total liabilities and shareholders' equity |       | 19,878,964,750                                      | 18,579,000,904 | 19,465,559,457                                  | 20,036,657,516 |

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



# Vinythai Public Company Limited and its Subsidiaries

## Statement of comprehensive income

|                                  |          | Consolidated financial statements<br>Year ended 31 December |                | Separate financial statements<br>Year ended 31 December |                |
|----------------------------------|----------|---|----------------|---|----------------|
|                                  | Note     | 2017  | 2016           | 2017  | 2016           |
| (in Baht)                        |          |   |                |   |                |
| Revenue                          | 4        |   |                |   |                |
| Revenue from sale of goods       | 25       | 19,281,791,834  | 15,659,001,556 | 16,459,389,906  | 13,845,319,322 |
| Interest income                  |          | 43,978,271  | 22,669,365     | 171,053,401   | 165,244,670    |
| Other income, net                |          | 77,602,168  | 205,214,569    | 187,964,853   | 300,683,320    |
| Total revenues                   | 21       | 19,403,372,273  | 15,886,885,490 | 16,818,408,160  | 14,311,247,312 |
| Expenses                         | 4        |   |                |   |                |
| Cost of sales of goods           | 8, 23    | 15,316,635,801  | 13,538,511,740 | 12,727,688,379  | 11,787,405,189 |
| Distribution costs               | 23       | 854,344,294   | 739,935,279    | 509,112,958   | 448,552,160    |
| Administrative expenses          | 23       | 764,681,634   | 432,758,202    | 490,556,408   | 428,610,796    |
| Doubtful debt expense            | 4, 6, 10 | 100,166,172   | -              | 434,846,200   | 34,267,452     |
| Impairment losses on investments | 4, 10    | -   | -              | 2,111,387,374   | -              |
| Finance costs                    |          | 23,568,997  | 49,021,389     | 18,400,553  | 40,228,597     |
| Total expenses                   |          | 17,059,396,898  | 14,760,226,610 | 16,291,991,872  | 12,739,064,194 |
| Share of profit of associate     | 9        | 375,619   | 128,955        | -   | -              |
| Profit before income tax         |          | 2,344,350,994   | 1,126,787,835  | 526,416,288   | 1,572,183,118  |
| Income tax expense               | 24       | (96,025,722)  | (3,084,373)    | (94,217,241)  | (2,649,219)    |
| Profit for the year              |          | 2,248,325,272   | 1,123,703,462  | 432,199,047   | 1,569,533,899  |

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



# Vinythai Public Company Limited and its Subsidiaries

## Statement of comprehensive income

|   |      | Consolidated financial statements<br>Year ended 31 December |               | Separate financial statements<br>Year ended 31 December |               |
|---|------|---|---------------|---|---------------|
|   | Note | 2017  | 2016          | 2017  | 2016          |
| (in Baht)   |      |   |               |   |               |
| Other comprehensive income  |      |   |               |   |               |
| Items that will be reclassified<br>subsequently to profit or loss       |      |   |               |   |               |
| Exchange differences on translating<br>financial statement              |      | (9,588,854)   | 17,505,197    | -   | -             |
| Gain (loss) on cash flow hedges   | 24   | 1,277,162   | (530,141)     | 426   | (192,307)     |
| Total items that will be reclassified<br>subsequently to profit or loss |      | (8,311,692)   | 16,975,056    | 426   | (192,307)     |
| Items that will not be reclassified<br>to profit or loss                |      |   |               |   |               |
| Gain (loss) on remeasurements of defined<br>benefit plans               | 24   | (2,720,415)   | 1,702,755     | (2,720,415)   | 1,702,755     |
| Total items that will not be reclassified<br>to profit or loss          |      | (2,720,415)   | 1,702,755     | (2,720,415)   | 1,702,755     |
| Other comprehensive income (expense)<br>for the year, net of tax        |      | (11,032,107)  | 18,677,811    | (2,719,989)   | 1,510,448     |
| Total comprehensive income for the year                                 |      | 2,237,293,165   | 1,142,381,273 | 429,479,058   | 1,571,044,347 |
| Profit attributable to:   |      |   |               |   |               |
| Owners of the parent  |      | 2,248,325,272   | 1,123,703,462 | 432,199,047   | 1,569,533,899 |
| Profit for the year   |      | 2,248,325,272   | 1,123,703,462 | 432,199,047   | 1,569,533,899 |
| Total comprehensive income<br>attributable to:                          |      |   |               |   |               |
| Owners of the parent  |      | 2,237,293,165   | 1,142,381,273 | 429,479,058   | 1,571,044,347 |
| Total comprehensive income for the year                                 |      | 2,237,293,165   | 1,142,381,273 | 429,479,058   | 1,571,044,347 |
| Basic earnings per share  | 26   | 1.90  | 0.95          | 0.36  | 1.32          |

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



# Vinythai Public Company Limited and its Subsidiaries

## Statement of changes in equity

| Consolidated financial statements                     |                                  |               |                   |                |  |                                   |   |  |                            |  |
|---|----------------------------------|---------------|-------------------|----------------|--|-----------------------------------|---|--|----------------------------|--|
| Note  | Issued and paid-up share capital | Share premium | Retained earnings |                | Other components of shareholders' equity |                                   |   |  | Total shareholders' equity |  |
|   |                                  |               | Legal reserve     | Unappropriated | Translation financial statement          | Gain (losses) on Cash flow hedges | Differences on combination of business under common control | Total other components of shareholders' equity |                            |  |
| (in Baht)   |                                  |               |                   |                |  |                                   |   |  |                            |  |
| Year ended 31 December 2016                           |                                  |               |                   |                |  |                                   |   |  |                            |  |
| Balance at 1 January 2016                             | 7,111,160,664                    | 1,303,712,790 | 711,116,066       | 6,303,486,588  | 81,185,821                               | (579,780)                         | (14,116,528)  | 66,489,513                                     | 15,495,965,621             |  |
| Transactions with owners, recorded directly in equity |                                  |               |                   |                |  |                                   |   |  |                            |  |
| Distributions to owners of the parent                 |                                  |               |                   |                |  |                                   |   |  |                            |  |
| Dividends   | 27                               | -             | -                 | (474,077,378)  | -  | -                                 | -   | -  | (474,077,378)              |  |
| Total distributions to owners of the parent           |                                  |               |                   |                |  |                                   |   |  |                            |  |
| Comprehensive income for the year                     |                                  |               |                   |                |  |                                   |   |  |                            |  |
| Profit  | -                                | -             | -                 | 1,123,703,462  | -  | -                                 | -   | -  | 1,123,703,462              |  |
| Other comprehensive income (loss)                     | -                                | -             | -                 | 1,702,755      | 17,505,197                               | (530,141)                         | -   | 16,975,056                                     | 18,677,811                 |  |
| Total comprehensive income for the year               | -                                | -             | -                 | 1,125,406,217  | 17,505,197                               | (530,141)                         | -   | 16,975,056                                     | 1,142,381,273              |  |
| Balance at 31 December 2016                           | 7,111,160,664                    | 1,303,712,790 | 711,116,066       | 6,954,815,427  | 98,691,018                               | (1,109,921)                       | (14,116,528)  | 83,464,569                                     | 16,164,269,516             |  |

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



## Statement of changes in equity

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



# Vinythai Public Company Limited and its Subsidiaries

## Statement of changes in equity

|   |  | Separate financial statements |                                  |               |                   |                |   |                            |
|---|--|-------------------------------|----------------------------------|---------------|-------------------|----------------|---|----------------------------|
|   |  | Note                          | Issued and paid-up share capital | Share premium | Retained earnings |                | Other component of shareholders' equity | Total shareholders' equity |
|   |  |                               |                                  |               | Legal reserve     | Unappropriated |   |                            |
|   |  | (in Baht)                     |                                  |               |                   |                |   |                            |
| Year ended 31 December 2016                           |  |                               |                                  |               |                   |                |   |                            |
| Balance at 1 January 2016                             |  |                               | 7,111,160,664                    | 1,303,712,790 | 711,116,066       | 7,674,685,616  | 478,225                                 | 16,801,153,361             |
| Transactions with owners, recorded directly in equity |  |                               |                                  |               |                   |                |   |                            |
| Distributions to owners of the parent                 |  |                               |                                  |               |                   |                |   |                            |
| Dividends   |  | 27                            | -                                | -             | -                 | (474,077,378)  | -                                       | (474,077,378)              |
| Total distributions to owners of the parent           |  |                               | -                                | -             | -                 | (474,077,378)  | -                                       | (474,077,378)              |
| Comprehensive income for the year                     |  |                               |                                  |               |                   |                |   |                            |
| Profit  |  |                               | -                                | -             | -                 | 1,569,533,899  | -                                       | 1,569,533,899              |
| Other comprehensive income (loss)                     |  |                               | -                                | -             | -                 | 1,702,755      | (192,307)                               | 1,510,448                  |
| Total comprehensive income for the year               |  |                               | -                                | -             | -                 | 1,571,236,654  | (192,307)                               | 1,571,044,347              |
| Balance at 31 December 2016                           |  |                               | 7,111,160,664                    | 1,303,712,790 | 711,116,066       | 8,771,844,892  | 285,918                                 | 17,898,120,330             |

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



# Vinythai Public Company Limited and its Subsidiaries

## Statement of changes in equity

|   |  | Separate financial statements |                                  |               |                   |                |   |                            |  |
|---|--|-------------------------------|----------------------------------|---------------|-------------------|----------------|---|----------------------------|--|
|   |  | Note                          | Issued and paid-up share capital | Share premium | Retained earnings |                | Other component of shareholders' equity | Total shareholders' equity |  |
|   |  |                               |                                  |               | Legal reserve     | Unappropriated |   |                            |  |
|   |  | (in Baht)                     |                                  |               |                   |                |   |                            |  |
| Year ended 31 December 2017                           |  |                               |                                  |               |                   |                |   |                            |  |
| Balance at 1 January 2017                             |  |                               | 7,111,160,664                    | 1,303,712,790 | 711,116,066       | 8,771,844,892  | 285,918                                 | 17,898,120,330             |  |
| Transactions with owners, recorded directly in equity |  |                               |                                  |               |                   |                |   |                            |  |
| Distributions to owners of the parent                 |  |                               |                                  |               |                   |                |   |                            |  |
| Dividends   |  | 27                            | -                                | -             | -                 | (533,337,050)  | -                                       | (533,337,050)              |  |
| Total distributions to owners of the parent           |  |                               | -                                | -             | -                 | (533,337,050)  | -                                       | (533,337,050)              |  |
| Comprehensive income for the year                     |  |                               |                                  |               |                   |                |   |                            |  |
| Profit  |  |                               | -                                | -             | -                 | 432,199,047    | -                                       | 432,199,047                |  |
| Other comprehensive income (loss)                     |  |                               | -                                | -             | -                 | (2,720,415)    | 426                                     | (2,719,989)                |  |
| Total comprehensive income for the year               |  |                               | -                                | -             | -                 | 429,478,632    | 426                                     | 429,479,058                |  |
| Balance at 31 December 2017                           |  |                               | 7,111,160,664                    | 1,303,712,790 | 711,116,066       | 8,667,986,474  | 286,344                                 | 17,794,262,338             |  |

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



# Vinythai Public Company Limited and its Subsidiaries

## Statement of cash flows

|  | Note | Consolidated financial statements |               | Separate financial statements |               |
|--|------|-----------------------------------|---------------|-------------------------------|---------------|
|  |      | Year ended 31 December            |               | Year ended 31 December        |               |
|  |      | 2017                              | 2016          | 2017                          | 2016          |
| (in Baht)  |      |                                   |               |                               |               |
| <i>Cash flows from operating activities</i>                                      |      |                                   |               |                               |               |
| Profit for the year  |      | 2,248,325,272                     | 1,123,703,462 | 432,199,047                   | 1,569,533,899 |
| <i>Adjustments to reconcile profit to cash receipt (payments)</i>                |      |                                   |               |                               |               |
| Income tax expense   |      | 96,025,722                        | 3,084,373     | 94,217,241                    | 2,649,219     |
| Finance costs  |      | 23,568,997                        | 49,021,389    | 18,400,553                    | 40,228,597    |
| Depreciation and amortization  |      | 1,277,984,902                     | 1,491,592,735 | 948,497,764                   | 1,161,137,062 |
| Amortisation of arrangement fee for long-term loan                               |      | 1,379,761                         | 1,379,761     | -                             | -             |
| Unrealised (gain) loss on foreign exchange                                       |      | 361,016                           | (51,814,248)  | (688,779)                     | 5,840,667     |
| Unrealised loss on derivatives   |      | -                                 | 62,388,444    | -                             | 62,388,444    |
| Share of profit of investment in associate                                       |      | (375,619)                         | (128,955)     | -                             | -             |
| (Reversal of) losses on inventories devaluation                                  |      | 13,668,210                        | (33,875,101)  | 22,217,916                    | (31,479,539)  |
| Impairment losses on investments   |      | -                                 | -             | 2,111,387,375                 | -             |
| (Reversal of) impairment losses on assets not used in operation                  |      | (1,354,005,366)                   | 2,994,479     | -                             | -             |
| Loss on write-off of plant and equipment and assets not used in operation        |      | 1,530,940,972                     | 13,212,033    | 47,424,926                    | 13,150,080    |
| (Gain) loss on disposals of plant and equipment and assets not used in operation |      | 98,438,425                        | (20,088,424)  | (310,999)                     | (20,153,924)  |
| Interest income  |      | (43,978,271)                      | (22,669,365)  | (171,053,401)                 | (165,244,670) |
| Doubtful debt expense  |      | 100,166,172                       | -             | 434,846,200                   | 34,267,452    |
| Provisions for employee benefits   |      | 14,384,044                        | 35,191,855    | 14,384,044                    | 35,191,855    |
|  |      | 4,006,884,237                     | 2,653,992,438 | 3,951,521,887                 | 2,707,509,142 |
| <i>Changes in operating assets and liabilities</i>                               |      |                                   |               |                               |               |
| Trade accounts receivable  |      | (629,167,869)                     | (204,374,331) | (280,889,118)                 | (203,018,927) |
| Other current receivables  |      | 123,149,228                       | (119,010,799) | 102,894,554                   | (119,388,460) |
| Inventories  |      | (164,731,962)                     | 99,614,232    | (145,642,306)                 | 131,584,817   |
| Other current assets   |      | (103,617,224)                     | 62,665,946    | (52,528,215)                  | 42,233,816    |
| Other non-current assets   |      | (1,370,951)                       | 2,156,530     | (1,899,216)                   | 1,628,265     |
| Trade accounts payable   |      | 193,081,845                       | 5,288,938     | 111,445,643                   | (40,216,501)  |
| Other current payables   |      | (25,268,392)                      | 7,388,144     | (5,632,282)                   | 4,322,306     |
| Other current liabilities  |      | 14,221,325                        | 24,116,579    | 11,466,837                    | 27,507,097    |
| Employee benefit paid  |      | (3,206,276)                       | -             | (3,206,276)                   | -             |
| Income tax paid  |      | (705,465)                         | (14,156)      | -                             | -             |
| Net cash flows from operating activities   |      | 3,409,268,496                     | 2,531,823,521 | 3,687,531,508                 | 2,552,161,555 |

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



# Vinythai Public Company Limited and its Subsidiaries

## Statement of cash flows

|  | Note | Consolidated financial statements |                 | Separate financial statements |                 |
|--|------|-----------------------------------|-----------------|-------------------------------|-----------------|
|  |      | Year ended 31 December            |                 | Year ended 31 December        |                 |
|  |      | 2017                              | 2016            | 2017                          | 2016            |
| (in Baht)  |      |                                   |                 |                               |                 |
| <i>Cash flows from investing activities</i>                  |      |                                   |                 |                               |                 |
| Acquisition of other long-term investment                    |      | -                                 | -               | -                             | (784)           |
| Proceeds from sale of plant and equipment                    |      | 51,793,700                        | 55,866,516      | 311,000                       | 55,866,516      |
| Proceeds from sale of assets not used in operation           |      | 38,715,087                        | -               | -                             | -               |
| Acquisition of plant and equipment                           |      | (338,206,854)                     | (269,424,065)   | (264,877,080)                 | (231,740,473)   |
| Acquisition of intangible assets                             |      | (12,376,835)                      | (760,650)       | (12,376,835)                  | -               |
| Short-term loan to subsidiaries                              |      | -                                 | -               | (450,000,000)                 | 38,090,000      |
| Long-term loan to subsidiary                                 |      | -                                 | -               | (5,010,000)                   | -               |
| Interest received  |      | 39,451,356                        | 21,468,338      | 172,159,330                   | 164,850,116     |
| Net cash flows from (used in) investing activities           |      | (220,623,546)                     | (192,849,861)   | (559,793,585)                 | 27,065,375      |
| <i>Cash flows from financing activities</i>                  |      |                                   |                 |                               |                 |
| Repayment of borrowings                                      |      | (618,353,829)                     | (1,155,170,866) | (618,353,828)                 | (1,155,170,866) |
| Dividends to owners of the Company                           |      | (533,337,050)                     | (474,077,378)   | (533,337,050)                 | (474,077,378)   |
| Interest paid  |      | (29,640,232)                      | (49,327,074)    | (23,394,154)                  | (41,611,916)    |
| Total cash flows used in financing activities                |      | (1,181,331,111)                   | (1,678,575,318) | (1,175,085,032)               | (1,670,860,160) |
| Translation of the financial statement                       |      | (1,913,184)                       | 42,529,130      | -                             | -               |
| Net increase in cash and cash equivalents                    |      |                                   |                 |                               |                 |
| before effect of exchange rates                              |      | 2,005,400,655                     | 702,927,472     | 1,952,652,891                 | 908,366,770     |
| Effect of exchange rate changes on cash and cash equivalents |      | 265,110                           | (441,833)       | (317,178)                     | 50,267          |
| Net increase in cash and cash equivalents                    |      | 2,005,665,765                     | 702,485,639     | 1,952,335,713                 | 908,417,037     |
| Cash and cash equivalents at beginning of period             |      | 3,207,225,925                     | 2,504,740,286   | 3,011,735,786                 | 2,103,318,749   |
| Cash and cash equivalents at ending of period                | 5    | 5,212,891,690                     | 3,207,225,925   | 4,964,071,499                 | 3,011,735,786   |

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



# Vinythai Public Company Limited and its Subsidiaries

## Note to the financial statements for the year end 31 December 2017

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# Vinythai Public Company Limited and its Subsidiaries

## Note to the financial statements for the year end 31 December 2017

These notes form an integral part of the financial statements.

The financial statements issued for Thai statutory and regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from the Thai language statutory financial statements, and were approved and authorised for issue by the Board of Directors on 23 February 2018.

### 1 General information

Vinythai Public Company Limited, the “Company”, is incorporated in Thailand and has its registered office at No. 2, I-3 Road, Tambon Map Ta Phut, Amphoe Mueang Rayong, Rayong 21150.

The Company was listed on the Stock Exchange of Thailand in February 1995.

The Company’s major shareholders during the financial year were Solvay Vinyls Holding AG (59% shareholding) which is incorporated in Switzerland and PTT Global Chemical Public Company Limited (25% shareholding) which is incorporated in Thailand.

On 22 February 2017, Asahi Glass Co., Ltd., which is incorporated in Japan, purchased entire shares in the Company from Solvay Vinyls Holding AG and became one of the Company’s major shareholder since then.

The principal activities of the Company and its subsidiaries (“the Group”) are the manufacturing and distributing of Polyvinyl Chloride (PVC), Vinyl Chloride Monomer (VCM), Sodium Hydroxide (caustic soda) and Epichlorohydrin. Detail of the Company’s subsidiaries and associate as at 31 December 2017 and 2016 are given in notes 4, 9 and 10.

### 2 Basis of preparation of the financial statements

#### (a) Statement of compliance

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

The FAP has issued new and revised TFRS effective for annual accounting periods beginning on or after 1 January 2017. The initial application of these new and revised TFRS has resulted in changes in certain of the Group’s accounting policies. These changes have no material effect on the financial statements.

In addition to the above new and revised TFRS, the FAP has issued a number of other new and revised TFRS which are effective for annual financial periods beginning on or after 1 January 2018 and have not been adopted in the preparation of these financial statements.



## Vinythai Public Company Limited and its Subsidiaries

### Note to the financial statements for the year end 31 December 2017

The Group has made a preliminary assessment of the potential initial impact on the consolidated and separate financial statements of these revised TFRS and expects that there will be no material impact on the financial statements in the period of initial application.

#### *(b) Basis of measurement*

The financial statements have been prepared on the historical cost basis except derivative financial instrument are measured at fair value and net defined benefit liability are measured at present value of the defined benefit obligation, as explained in note 3(n).

#### *(c) Functional and presentation currency*

The financial statements presented in Thai Baht, which is the Company's functional currency.

#### *(d) Use of judgements and estimates*

The preparation of financial statements in conformity with TFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

#### *Assumptions and estimation uncertainties*

Information about significant areas of estimation uncertainties that have a significant risk of resulting in a material adjustments to the amounts recognised in the financial statements is included in the following notes:

|                    |   |
|--------------------|---|
| Note 10, 11 and 12 | Impairment test: key assumptions underlying recoverable amounts;  |
| Note 13 and 24     | Recognition of deferred tax assets: availability of future taxable profit against which tax losses carried forward can be used; and |
| Note 18            | Measurement of defined benefit obligations: key actuarial assumptions   |

#### *Measurement of fair values*

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the chief financial officer.



# Vinythai Public Company Limited and its Subsidiaries

## Note to the financial statements for the year end 31 December 2017

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of TFRS, including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the Group's Audit Committee.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of fair value hierarchy at the end of the reporting period during which the change had occurred.

Further information about the assumptions made in measuring fair values is included in note 28 financial instruments.

### 3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

#### (a) *Basis of consolidation*

The consolidated financial statements relate to the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associate.



## Vinythai Public Company Limited and its Subsidiaries

### Note to the financial statements for the year end 31 December 2017

#### *Acquisitions from entities under common control*

Business combinations of entities or businesses under common control are accounted for using a method similar to the pooling of interest method and in accordance with the Guideline issued in 2009 by the FAP.

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are revised. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity except that any share capital of the acquired entities is recognised as part of share premium. Any cash paid for the acquisition is recognised directly in equity.

#### *Subsidiaries*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

#### *Loss of control*

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

#### *Interest in equity-accounted investees*

The Group's interests in equity-accounted investees comprise interests in associates.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

Interests in associates are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence ceases.



# Vinythai Public Company Limited and its Subsidiaries

## Note to the financial statements for the year end 31 December 2017

### *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### *(b) Foreign currencies*

#### *Foreign currency transactions*

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date.

Non-monetary assets and liabilities that are measured at cost in foreign currencies are translated to the functional currency at the exchange rates at the date of the transactions.

Foreign currency differences are generally recognised in profit or loss. However, foreign currency differences arising from the translation of qualifying cash flow hedges to the extent that the hedge is effective are recognised in other comprehensive income.

#### *Foreign operations*

The assets and liabilities of foreign operations are translated to Thai Baht at the exchange rates at the reporting date.

The revenues and expenses of foreign operations are translated to Thai Baht at rates approximating the exchange rates at the dates of the transactions.

Foreign exchange differences are recognised in other comprehensive income and accumulated in the translation reserve, except to extent that the translation difference is allocated to non-controlling interest.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of an associate while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.



## Vinythai Public Company Limited and its Subsidiaries

### Note to the financial statements for the year end 31 December 2017

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity until disposal of the investment.

#### (c) *Derivative financial instruments*

Derivative financial instruments are used to manage exposure to foreign exchange and interest rate arising from operational and financing activities. Derivative financial instruments are not used for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, they are remeasured at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting recognition of any resultant gain or loss depends on the nature of the item being hedged [see accounting policy 3(d)].

The fair value of interest rate swaps is based on broker quotes at the reporting date. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the reporting date.

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price at the reporting date for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

#### (d) *Hedging*

##### *Cash flows hedges*

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative financial instrument is recognised in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion is recognised immediately in profit or loss.

When a hedged forecast transaction occurs and results in the recognition of a financial asset or financial liability, the gain or loss recognised in other comprehensive income does not adjust the initial carrying amount of the asset or liability but remains in equity and is reclassified from equity to profit or loss consistently with the recognition of gains and losses on the asset or liability as a reclassification adjustment.



# Vinythai Public Company Limited and its Subsidiaries

## Note to the financial statements for the year end 31 December 2017

### *Discontinuing hedge accounting*

Hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss on the hedging instrument existing in equity is retained in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is recognised in profit or loss immediately.

### *(e) Cash and cash equivalents*

Cash and cash equivalents in the statements of cash flows comprise cash balances, call deposits and highly liquid short-term investments. Bank overdrafts that are repayable on demand are a component of financing activities for the purpose of the statement of cash flows.

### *(f) Trade and other accounts receivable*

Trade and other accounts receivable are stated at their invoice value less allowance for doubtful accounts.

The allowance for doubtful accounts is assessed primarily on analysis of payment histories and future expectations of customer payments. Bad debts are written off when incurred.

### *(g) Inventories*

Inventories are measured at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost principle, and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to complete and to make the sale.

### *(h) Investments*

#### *Investments in subsidiaries and associate*

Investments in subsidiaries and associate in the separate financial statements of the Company are accounted for using the cost method. Investment in associate in the consolidated financial statements is accounted for using the equity method.



## Vinythai Public Company Limited and its Subsidiaries

### Note to the financial statements for the year end 31 December 2017

#### *Disposal of investments*

On disposal of an investment, the difference between net disposal proceeds and the carrying amount is recognised in profit or loss.

If the Group disposes of part of its holding of a particular investment, the deemed cost of the part sold is determined using the weighted average method applied to the carrying value of the total holding of the investment.

#### *(i) Property, plant and equipment*

##### *Recognition and measurement*

##### *Owned assets*

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised in profit or loss.

##### *Subsequent costs*

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

##### *Depreciation*

Depreciation is calculated based on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. The estimated useful lives are as follows:



# Vinythai Public Company Limited and its Subsidiaries

## Note to the financial statements for the year end 31 December 2017

|  |         |       |
|--|---------|-------|
| Lease land improvements                  | 50      | years |
| Buildings and building improvements      | 10 - 50 | years |
| Machinery and equipment                  | 5 - 30  | years |
| Furniture, fixtures and office equipment | 3 - 30  | years |
| Vehicle                                  | 5 - 10  | years |

No depreciation is provided on freehold land or assets under construction and machinery under installation.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

### (j) *Intangible assets*

Intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

#### *Subsequent expenditure*

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure are recognised in profit or loss as incurred.

#### *Amortisation*

Amortisation is based on the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

|                          |         |       |
|--------------------------|---------|-------|
| Patents                  | 15 - 20 | years |
| Software licenses        | 5 - 10  | years |
| Leasehold right for land | 50      | years |

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

### (k) *Impairment*

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.



## Vinythai Public Company Limited and its Subsidiaries

### Note to the financial statements for the year end 31 December 2017

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognised in profit or loss unless it reverses a previous revaluation credited to equity, in which case it is charged to equity.

#### *Calculation of recoverable amount*

The recoverable amount of a non-financial asset is the greater of the asset's value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

#### *Reversals of impairment*

Impairment losses recognised in prior periods in respect of other non-financial assets are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### *(l) Interest-bearing liabilities*

Interest-bearing liabilities are recognised at cost.

#### *(m) Trade and other accounts payable*

Trade and other accounts payable are stated at cost.

#### *(n) Employee benefits*

##### *Defined contribution plans*

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

##### *Defined benefit plans*

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount



# Vinythai Public Company Limited and its Subsidiaries

## Note to the financial statements for the year end 31 December 2017

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any application minimum funding requirements.

Remeasurements of the net defined benefit liability, actuarial gain or loss are recognised immediately in other comprehensive income. The Group determines the interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

### *Other long-term employee benefits*

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

### *Short-term employee benefits*

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### *(o) Provisions*

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

### *(p) Revenue*

Revenue excludes value added taxes and is arrived at after deduction of trade discounts.



# Vinythai Public Company Limited and its Subsidiaries

## Note to the financial statements for the year end 31 December 2017

### *Sale of goods*

Revenue is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there is continuing management involvement with the goods or there are significant uncertainties regarding recovery of the consideration due, associated costs or the probable return of goods.

### *Rendering of service*

The Group recognises revenue from rendering of services in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed based on services are provided.

### *Interest income*

Interest income is recognised in profit or loss as it accrues.

### *(q) Finance costs*

Interest expenses and similar costs are charged to profit or loss for the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial year of time to be prepared for its intended use or sale.

### *(r) Lease payments*

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

### *(s) Income tax*

Income tax expense for the year comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.



# Vinythai Public Company Limited and its Subsidiaries

## Note to the financial statements for the year end 31 December 2017

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

In determining the amount of current tax and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### (t) *Earnings per share*

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

### (u) *Segment reporting*

Segment results that are reported to the Group's Managing Director (the chief operating decision maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.



## Vinythai Public Company Limited and its Subsidiaries

### Note to the financial statements for the year end 31 December 2017

#### 4 Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Relationships with subsidiaries and associate are described in notes 9 and 10. Relationship with key management and other related parties were as follows:

| Name of entities                                | Country of Incorporation / Nationality | Nature of relationships  |
|---|--|--|
| Solvay Vinyls Holding AG                        | Switzerland                            | Major shareholder, 59% shareholding until 21 February 2017                                 |
| Asahi Glass Co., Ltd.                           | Japan                                  | Major shareholder, 59% shareholding since 22 February 2017                                 |
| PTT Global Chemical Public Company Limited      | Thailand                               | Major shareholder, 25% shareholding  |
| Advanced Biochemical (Thailand) Company Limited | Thailand                               | Subsidiary, 100% shareholding  |
| Vinythai Holding Pte. Limited                   | Singapore                              | Subsidiary, 100% shareholding  |
| Solvay Biochemicals (Taixing) Limited           | China                                  | Indirect subsidiary, 100% shareholding by subsidiary                                       |
| Advanced Biochemical Europe                     | Belgium                                | Indirect subsidiary, 99.9% shareholding by subsidiary and 0.1% shareholding by the Company |
| Pimai Salt Company Limited                      | Thailand                               | Associate  |
| Solvay Peroxythai Limited                       | Thailand                               | Related company until 21 February 2017   |
| Solvay Asia Pacific Company Limited             | Thailand                               | Related company until 21 February 2017   |
| MTV HP JV (Thailand) Company Limited            | Thailand                               | Related company until 21 February 2017   |



# Vinythai Public Company Limited and its Subsidiaries

## Note to the financial statements for the year end 31 December 2017

| Name of entities                                     | Country of Incorporation / Nationality   | Nature of relationships  |
|--|--|--|
| Solvay S.A. and Solvay Group companies               | Belgium, Japan, America, Korea, China, India, France, Italy, Singapore, Germany, Russia, South Africa Spain, and Vietnam | Related company until 21 February 2017   |
| AGC Chemicals (Thailand) Company Limited             | Thailand   | Related company since 22 February 2017   |
| AGC Chemicals Vietnam Co., Ltd.                      | Vietnam  | Related company since 22 February 2017   |
| Global Green Chemical Public Company Limited         | Thailand   | Related company  |
| Polymer Marketing DMCC Company Limited               | United Arab Emirates   | Related company  |
| PTT Public Company Limited                           | Thailand   | Related company  |
| PTT Asahi Chemical Company Limited                   | Thailand   | Related company  |
| TOC Glycol Co., Ltd.                                 | Thailand   | Related company  |
| Thai Tank Terminal Limited                           | Thailand   | Related company  |
| PTT Polymer Logistics Company Limited                | Thailand   | Related company  |
| NPC Safety and Environmental Service Company Limited | Thailand   | Related company  |
| Key management personnel                             |  | Persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the Group |



## Vinythai Public Company Limited and its Subsidiaries

### Note to the financial statements for the year end 31 December 2017

The pricing policies for transactions with related parties are explained further below:

| Transactions  | Pricing policies   |
|---|--|
| <b>Parent</b>   |  |
| Purchase of machinery and equipment   | At agreed price  |
| Other service expenses  | Contract rate  |
| <b>Subsidiaries</b>   |  |
| Revenue from sale of goods  | With reference to market price   |
| Interest income   | Contract rate and market rate  |
| Service income, net   | Contract price   |
| Revenue from sale of spare parts  | With reference to market price   |
| Purchase of raw materials   | Market price   |
| Purchase of spare parts and other service expenses                          | Net book value and contract rate   |
| <b>Associate</b>  |  |
| Purchase of raw materials   | Contract price of salt which approximate production cost                   |
| <b>Other related parties</b>  |  |
| Revenue from sale of goods  | With reference to market price   |
| Interest income   | Contract rate and market rate  |
| Service income, net   | Contract rate  |
| Purchase of raw materials   | Average Ethylene market prices in major regions worldwide and market price |
| Purchase of spare parts, services expenses and other manufacturing expenses | Contract rate  |
| License and technical assistance service expenses                           | Contract rate  |
| Insurance premium, commission expenses and other operating expenses         | Contract rate  |





# Vinythai Public Company Limited and its Subsidiaries

## Note to the financial statements for the year end 31 December 2017

Significant transactions for the years ended 31 December with related parties were as follows:

|   | Consolidated<br>financial statements |           | Separate<br>financial statements |           |
|---|--------------------------------------|-----------|----------------------------------|-----------|
| Year ended 31 December  | 2017                                 | 2016      | 2017                             | 2016      |
| (in thousand Baht)  |                                      |           |                                  |           |
| <b>Parent</b>   |                                      |           |                                  |           |
| Purchase of machinery and equipment   | 19,925                               | -         | 19,925                           | -         |
| Other service expenses  | 2,192                                | -         | 1,930                            | -         |
| <b>Subsidiaries</b>   |                                      |           |                                  |           |
| Revenue from sale of goods  | -                                    | -         | 773,616                          | 674,083   |
| Interest income   | -                                    | -         | 128,285                          | 144,494   |
| Service income, net   | -                                    | -         | 130,951                          | 107,201   |
| Revenue from sale of spare parts  | -                                    | -         | 5,072                            | 4,252     |
| Purchase of raw materials   | -                                    | -         | 196,877                          | 174,973   |
| Purchase of spare parts and other service expenses                          | -                                    | -         | 580                              | 582       |
| <b>Associate</b>  |                                      |           |                                  |           |
| Purchase of raw materials   | 413,049                              | 383,276   | 413,049                          | 383,276   |
| <b>Other related parties</b>  |                                      |           |                                  |           |
| Revenue from sale of goods  | 1,315,556                            | 1,247,922 | 1,187,351                        | 337,519   |
| Interest income   | -                                    | 1         | -                                | 1         |
| Service income, net   | 2,413                                | 20,966    | 2,413                            | 16,360    |
| Purchase of raw materials   | 6,745,078                            | 5,608,094 | 6,462,531                        | 5,449,231 |
| Purchase of spare parts, services expenses and other manufacturing expenses | 77,471                               | 116,985   | 77,471                           | 116,985   |
| License and technical assistance service expenses                           | 1,303                                | 10,176    | 1,303                            | 3,643     |
| Insurance premium, commission expenses and other operating expenses         | 98,141                               | 132,028   | 285                              | 1,718     |
| <b>Key management personnel</b>   |                                      |           |                                  |           |
| Key management personnel compensation                                       |                                      |           |                                  |           |
| Short-term employee benefit   | 68,711                               | 89,853    | 68,711                           | 78,693    |
| Post-employment benefits and other long-term benefits                       | 1,823                                | 1,595     | 1,823                            | 1,595     |



# Vinythai Public Company Limited and its Subsidiaries

## Note to the financial statements for the year end 31 December 2017

Balances as at 31 December with related parties were as follows:

| <i>Trade accounts receivable - related parties</i> | Consolidated<br>financial statements |                | Separate<br>financial statements |               |
|--|--------------------------------------|----------------|----------------------------------|---------------|
|  | 2017                                 | 2016           | 2017                             | 2016          |
| <i>(in thousand Baht)</i>                          |                                      |                |                                  |               |
| Subsidiaries                                       | -                                    | -              | 66,464                           | 40,745        |
| Other related parties                              | 202,767                              | 146,830        | 202,767                          | 28,900        |
| <b>Total</b>                                       | <b>202,767</b>                       | <b>146,830</b> | <b>269,231</b>                   | <b>69,645</b> |

| <i>Other current receivables - related parties</i> | Consolidated<br>financial statements |              | Separate<br>financial statements |               |
|--|--------------------------------------|--------------|----------------------------------|---------------|
|  | 2017                                 | 2016         | 2017                             | 2016          |
| <i>(in thousand Baht)</i>                          |                                      |              |                                  |               |
| Subsidiaries                                       | -                                    | -            | 20,085                           | 19,713        |
| Other related parties                              | -                                    | 8,865        | -                                | 8,287         |
| <b>Total</b>                                       | <b>-</b>                             | <b>8,865</b> | <b>20,085</b>                    | <b>28,000</b> |

| <i>Loans to related parties</i> | Interest rate |      | Consolidated<br>financial statements |      | Separate<br>financial statements |      |
|---------------------------------|---------------|------|--------------------------------------|------|----------------------------------|------|
|                                 | 2017          | 2016 | 2017                                 | 2016 | 2017                             | 2016 |
| <i>(% per annum)</i>            |               |      | <i>(in thousand Baht)</i>            |      |                                  |      |

### Short-term loans

|                     |               |               |   |   |           |           |
|---------------------|---------------|---------------|---|---|-----------|-----------|
| <b>Subsidiaries</b> | 1.80 and 2.99 | 1.80 and 2.99 | - | - | 1,861,598 | 1,411,321 |
|---------------------|---------------|---------------|---|---|-----------|-----------|

### Long-term loans

#### Subsidiaries

|  |                       |                                  |          |          |                  |                  |
|--|-----------------------|----------------------------------|----------|----------|------------------|------------------|
| Long-term loans                            | THBFIX<br>+fixed rate | 4.7 and<br>THBFIX<br>+fixed rate | -        | -        | 2,523,767        | 3,246,752        |
| Less allowance for doubtful accounts       |                       |                                  | -        | -        | (690,000)        | (251,610)        |
|  |                       |                                  | -        | -        | 1,833,767        | 2,995,142        |
| Less current portion of long-term loans    |                       |                                  | -        | -        | -                | (1,238,087)      |
|  |                       |                                  | -        | -        | 1,833,767        | 1,757,055        |
| <b>Total loans to related parties-net</b>  |                       |                                  | <b>-</b> | <b>-</b> | <b>3,695,365</b> | <b>4,406,463</b> |
| <b>Doubtful debts expense for the year</b> |                       |                                  | <b>-</b> | <b>-</b> | <b>438,390</b>   | <b>34,267</b>    |

Movements during the years ended 31 December of loans to related parties were as follows:



# Vinythai Public Company Limited and its Subsidiaries

## Note to the financial statements for the year end 31 December 2017

| Short-term loans to related parties | Consolidated<br>financial statements |      | Separate<br>financial statements |      |
|-------------------------------------|--------------------------------------|------|----------------------------------|------|
|                                     | 2017                                 | 2016 | 2017                             | 2016 |

(in thousand Baht)

### Subsidiaries

|                         |          |          |                  |                  |
|-------------------------|----------|----------|------------------|------------------|
| At 1 January            | -        | -        | 1,411,321        | 1,450,000        |
| Increase                | -        | -        | 450,000          | 11,910           |
| Decrease                | -        | -        | -                | (50,000)         |
| Effect of exchange rate | -        | -        | 277              | (589)            |
| <b>At 31 December</b>   | <b>-</b> | <b>-</b> | <b>1,861,598</b> | <b>1,411,321</b> |

| Long-term loans to related parties | Consolidated<br>financial statements |      | Separate<br>financial statements |      |
|------------------------------------|--------------------------------------|------|----------------------------------|------|
|                                    | 2017                                 | 2016 | 2017                             | 2016 |

(in thousand Baht)

### Subsidiaries

|                                |          |          |                  |                  |
|--------------------------------|----------|----------|------------------|------------------|
| At 1 January                   | -        | -        | 3,246,752        | 3,304,952        |
| Increase                       | -        | -        | 5,010            | -                |
| Decrease from loan forgiveness | -        | -        | (727,995)        | -                |
| Effect of exchange rate        | -        | -        | -                | (58,200)         |
| <b>At 31 December</b>          | <b>-</b> | <b>-</b> | <b>2,523,767</b> | <b>3,246,752</b> |

| Trade accounts payable - related parties | Consolidated<br>financial statements |      | Separate<br>financial statements |      |
|--|--------------------------------------|------|----------------------------------|------|
|  | 2017                                 | 2016 | 2017                             | 2016 |

(in thousand Baht)

|                       |                |                |                |                |
|-----------------------|----------------|----------------|----------------|----------------|
| Parent                | 934            | -              | 779            | -              |
| Subsidiaries          | -              | -              | 8,887          | 10,801         |
| Associate             | 37,462         | 35,319         | 37,462         | 35,319         |
| Other related parties | 718,028        | 557,972        | 691,127        | 544,242        |
| <b>Total</b>          | <b>756,424</b> | <b>593,291</b> | <b>738,255</b> | <b>590,362</b> |



## Vinythai Public Company Limited and its Subsidiaries

### Note to the financial statements for the year end 31 December 2017

| Other current payables - related parties | Consolidated financial statements |               | Separate financial statements |               |
|--|-----------------------------------|---------------|-------------------------------|---------------|
|  | 2017                              | 2016          | 2017                          | 2016          |
| (in thousand Baht)                       |                                   |               |                               |               |
| Parent                                   | 704                               | -             | 704                           | -             |
| Subsidiaries                             | -                                 | -             | 8,747                         | 51            |
| Other related parties                    | 1,628                             | 42,861        | 1,626                         | 11,870        |
| <b>Total</b>                             | <b>2,332</b>                      | <b>42,861</b> | <b>11,077</b>                 | <b>11,921</b> |

| Other current liabilities - related party | Consolidated financial statements |              | Separate financial statements |          |
|---|-----------------------------------|--------------|-------------------------------|----------|
|   | 2017                              | 2016         | 2017                          | 2016     |
| (in thousand Baht)                        |                                   |              |                               |          |
| Other related party                       | 9,388                             | 7,523        | -                             | -        |
| <b>Total</b>                              | <b>9,388</b>                      | <b>7,523</b> | <b>-</b>                      | <b>-</b> |

#### Significant agreements with related parties

##### Short-term loans to subsidiaries

As at 31 December 2017, the outstanding balances of EUR 0.3 million or equivalent to Baht 11.6 million and Baht 1,850 million represented loans to subsidiaries, carrying interest at money market rates quoted by the commercial banks and they shall be repayable on 16 June 2018 and 28 December 2018, respectively.

##### Long-term loans to subsidiaries

On 22 July 2010, the Company has entered into a loan agreement of Baht 4,500 million with its subsidiary, Advanced Biochemical (Thailand) Company Limited ("ABT"), to finance the investment project. The loan is repayable in 14 semi-annual instalments commencing from 2013 carrying interest at a floating rate based on THBFX plus a certain percentage. The subsidiary may prepay all or any part of any loan with the amount and condition as specified in the loan agreements. On 25 May 2017, the Company entered into an amendment agreement to postpone the repayment date to be repaid in June 2019 of Baht 273.8 million and the remaining amount will be repaid at Baht 321.4 million each from December 2019 to December 2022.

On 17 June 2013, the Company has entered into a loan agreement of CNY 180 million with its subsidiary, Solvay Biochemicals (Taixing) Limited ("SBT"), to finance the investment project. The subsidiary has drawn down a total of CNY 141.3 million from this facility. The loan is repayable in 7 semi-annual instalments of CNY 20 million commencing from August 2020 to August 2023 and final repayment will be paid of CNY 1.3 million in February 2024 carrying interest at a fixed rate of 4.7% per annum. On 10 April 2017, the Company acknowledged for a memorandum from subsidiary to postpone the interest payment during



# Vinythai Public Company Limited and its Subsidiaries

## Note to the financial statements for the year end 31 December 2017

1 May 2017 to 1 May 2018 to be 2 May 2018. On 23 November 2017, the Company entered into debt release and facility termination agreement with SBT to forgive all outstanding balance of loan principal and interest receivables totalling of Baht 741.5 million and recorded cost of investment in SBT and impairment loss on such investment in the separate financial statements for the year ended 31 December 2017.

The Company recorded an allowance for doubtful accounts of long-term loan to subsidiaries of Baht 438.4 million in the separate financial statement for the year ended 31 December 2017 (2016: Baht 34.3 million) (see note 10).

### *Lease agreement*

On 1 December 2005, the Company and its subsidiaries entered into the inventory tank lease agreements with a related company. Thereafter, on 2 November 2011, both parties had agreed to amend the certain stipulated terms of the original contract. In consideration thereof, the Company and its subsidiaries shall pay the service fee as specified in the agreement. The term of agreement is for a period of 15 years starting from January 2012 to January 2027.

### *License and technical assistance services agreement*

On 1 January 2014 and 4 January 2010, the Company and its subsidiaries entered into license and technical assistance services agreements with Solvay S.A. for the purpose of construction of a new plant and expansion of production capacity, in respectively. The Company and its subsidiaries shall pay the service fee as specified in the agreements. However, technical assistance services agreement has automatically terminated after Solvay S.A. ceasing of being a shareholder of the Company since 22 February 2017.

### *Right of way and service agreement*

On 1 May 2010, the Company entered into a right of way and service agreement with its subsidiary, Advanced Biochemical (Thailand) Company Limited, whereby the Company agrees to provide rights of way over the Company's land and the Company agrees to provide services, equipment, facilities, space and access to the subsidiary, and the subsidiary hereby agrees and accepts the services and right of way from the Company. In consideration thereof, the subsidiary shall pay service fee as specified in the agreement. This agreement is for a period of 3 years after which this agreement shall be automatically renewed for successive periods of 3 years. Either party may terminate this agreement by giving notice in writing not less than 6 months before the date of expiry.

### *Service contracts*

On 10 March 2014, the Company entered into service contracts with certain related parties whereby the Company agreed to provide various treasury services to those related parties. In consideration thereof, the Company shall receive service incomes as specified in the contracts. These contracts has automatically terminated after Solvay S.A. ceasing of being a shareholder of the Company since 22 February 2017.



# Vinythai Public Company Limited and its Subsidiaries

## Note to the financial statements for the year end 31 December 2017

### *Consultancy service agreements*

On 19 July 2017 and 22 September 2017, the Company and its subsidiary entered into consultancy service agreements with Asahi Glass Co., Ltd., whereby the latter agrees to provide consultancy and advice for the improvement of plant management. The Company and its subsidiary shall pay the service fee as specified in the agreements. This agreement is valid until 31 December 2017 and shall be automatically extended for successive period of one year unless any of the parties gives a written notice to the other party by 3 months prior to the expiration of the agreement.

## 5 Cash and cash equivalents

|  | Consolidated<br>financial statements |                  | Separate<br>financial statements |                  |
|--|--------------------------------------|------------------|----------------------------------|------------------|
|  | 2017                                 | 2016             | 2017                             | 2016             |
|  | <i>(in thousand Baht)</i>            |                  |                                  |                  |
| Cash on hand                                 | 114                                  | 148              | 109                              | 143              |
| Cash at banks - current and savings accounts | 2,612,778                            | 2,706,520        | 2,363,962                        | 2,511,035        |
| Cash at bank - fixed deposit                 | 2,600,000                            | 500,558          | 2,600,000                        | 500,558          |
| <b>Total</b>                                 | <b>5,212,892</b>                     | <b>3,207,226</b> | <b>4,964,071</b>                 | <b>3,011,736</b> |

The currency denomination of cash and cash equivalents as at 31 December was as follows:

|                             | Consolidated<br>financial statements |                  | Separate<br>financial statements |                  |
|-----------------------------|--------------------------------------|------------------|----------------------------------|------------------|
|                             | 2017                                 | 2016             | 2017                             | 2016             |
|                             | <i>(in thousand Baht)</i>            |                  |                                  |                  |
| Thai Baht (THB)             | 5,102,682                            | 3,120,637        | 4,963,418                        | 3,004,359        |
| Euro (EUR)                  | 55,075                               | 42,161           | -                                | -                |
| Chinese Yuan (CNY)          | 54,383                               | 16,180           | -                                | -                |
| United States Dollars (USD) | 752                                  | 28,248           | 653                              | 7,377            |
| <b>Total</b>                | <b>5,212,892</b>                     | <b>3,207,226</b> | <b>4,964,071</b>                 | <b>3,011,736</b> |





# Vinythai Public Company Limited and its Subsidiaries

## Note to the financial statements for the year end 31 December 2017

### 6 Trade accounts receivable

|                                      |      | Consolidated<br>financial statements |           | Separate<br>financial statements |           |
|--------------------------------------|------|--------------------------------------|-----------|----------------------------------|-----------|
|                                      | Note | 2017                                 | 2016      | 2017                             | 2016      |
| (in thousand Baht)                   |      |                                      |           |                                  |           |
| Related parties                      | 4    | 202,767                              | 146,830   | 269,231                          | 69,645    |
| Other parties                        |      | 2,833,113                            | 2,259,807 | 2,178,817                        | 2,096,670 |
| Total                                |      | 3,035,880                            | 2,406,637 | 2,448,048                        | 2,166,315 |
| Less allowance for doubtful accounts |      | (430,858)                            | (434,401) | (430,858)                        | (434,401) |
| Net                                  |      | 2,605,022                            | 1,972,236 | 2,017,190                        | 1,731,914 |
|                                      |      |                                      |           |                                  |           |
|                                      |      | 2017                                 | 2016      | 2017                             | 2016      |
| (in thousand Baht)                   |      |                                      |           |                                  |           |
| Reversal of doubtful debts           |      |                                      |           |                                  |           |
| expense for the year                 |      | (3,543)                              | -         | (3,543)                          | -         |

Aging analyses for trade accounts receivable were as follows:

|                                      | Consolidated<br>financial statements |                  | Separate<br>financial statements |                  |
|--------------------------------------|--------------------------------------|------------------|----------------------------------|------------------|
|                                      | 2017                                 | 2016             | 2017                             | 2016             |
| <i>(in thousand Baht)</i>            |                                      |                  |                                  |                  |
| <b>Related parties</b>               |                                      |                  |                                  |                  |
| Within credit terms                  | 195,151                              | 146,374          | 258,219                          | 69,189           |
| Overdue:                             |                                      |                  |                                  |                  |
| Less than 3 months                   | <b>7,616</b>                         | <b>456</b>       | <b>11,012</b>                    | <b>456</b>       |
|                                      | <b>202,767</b>                       | <b>146,830</b>   | <b>269,231</b>                   | <b>69,645</b>    |
| <b>Other parties</b>                 |                                      |                  |                                  |                  |
| Within credit terms                  | 2,305,153                            | 1,756,291        | 1,664,007                        | 1,593,520        |
| Overdue:                             |                                      |                  |                                  |                  |
| Less than 3 months                   | 97,082                               | 72,619           | 83,952                           | 72,253           |
| 3 - 6 months                         | 10                                   | 39               | -                                | 39               |
| Over 12 months                       | 430,868                              | 430,858          | 430,858                          | 430,858          |
|                                      | <b>2,833,113</b>                     | <b>2,259,807</b> | <b>2,178,817</b>                 | <b>2,096,670</b> |
| Less allowance for doubtful accounts | (430,858)                            | (434,401)        | (430,858)                        | (434,401)        |
|                                      | <b>2,402,255</b>                     | <b>1,825,406</b> | <b>1,747,959</b>                 | <b>1,662,269</b> |
| <b>Net</b>                           | <b>2,605,022</b>                     | <b>1,972,236</b> | <b>2,017,190</b>                 | <b>1,731,914</b> |

The normal credit term granted by the Group ranges from 15 days to 90 days.



# Vinythai Public Company Limited and its Subsidiaries

## Note to the financial statements for the year end 31 December 2017

The currency denomination of trade accounts receivable as at 31 December was as follows:

|                             | Consolidated<br>financial statements |                  | Separate<br>financial statements |                  |
|-----------------------------|--------------------------------------|------------------|----------------------------------|------------------|
|                             | 2017                                 | 2016             | 2017                             | 2016             |
| <i>(in thousand Baht)</i>   |                                      |                  |                                  |                  |
| Thai Baht (THB)             | 2,234,059                            | 1,971,127        | 2,210,519                        | 1,967,680        |
| United States Dollars (USD) | 785,029                              | 414,335          | 237,529                          | 198,635          |
| Euro (EUR)                  | 10,731                               | 10,246           | -                                | -                |
| Japanese Yen (JPY)          | 6,061                                | 10,929           | -                                | -                |
| <b>Total</b>                | <b>3,035,880</b>                     | <b>2,406,637</b> | <b>2,448,048</b>                 | <b>2,166,315</b> |

## 7 Other current receivables

|                    |      | Consolidated<br>financial statements |         | Separate<br>financial statements |         |
|--------------------|------|--------------------------------------|---------|----------------------------------|---------|
|                    | Note | 2017                                 | 2016    | 2017                             | 2016    |
| (in thousand Baht) |      |                                      |         |                                  |         |
| Related parties    | 4    | -                                    | 8,865   | 20,085                           | 28,000  |
| Other parties      |      | 12,307                               | 122,064 | 11,966                           | 121,569 |
| Total              |      | 12,307                               | 130,929 | 32,051                           | 149,569 |

The currency denominations of other current receivables as at 31 December was as follows:

|                             | Consolidated<br>financial statements |                | Separate<br>financial statements |                |
|-----------------------------|--------------------------------------|----------------|----------------------------------|----------------|
|                             | 2017                                 | 2016           | 2017                             | 2016           |
| <i>(in thousand Baht)</i>   |                                      |                |                                  |                |
| Thai Baht (THB)             | 7,734                                | 124,653        | 27,289                           | 136,833        |
| Chinese Yuan (CNY)          | 4,325                                | 4,440          | 4,325                            | 10,120         |
| Euro (EUR)                  | 230                                  | 894            | 419                              | 1,677          |
| United States Dollars (USD) | 18                                   | 942            | 18                               | 939            |
| <b>Total</b>                | <b>12,307</b>                        | <b>130,929</b> | <b>32,051</b>                    | <b>149,569</b> |



# Vinythai Public Company Limited and its Subsidiaries

## Note to the financial statements for the year end 31 December 2017

### 8 Inventories

|   | Consolidated<br>financial statements |                   | Separate<br>financial statements |                   |
|---|--------------------------------------|-------------------|----------------------------------|-------------------|
|   | 2017                                 | 2016              | 2017                             | 2016              |
| <i>(in thousand Baht)</i>   |                                      |                   |                                  |                   |
| Finished goods  | 660,580                              | 511,424           | 518,888                          | 358,809           |
| Raw materials   | 158,045                              | 192,234           | 130,078                          | 171,609           |
| Packaging   | 4,792                                | 23,280            | 3,832                            | 2,321             |
| Spare parts   | 238,138                              | 199,879           | 217,491                          | 199,879           |
| Goods in transit  | 82,303                               | 52,310            | 7,971                            | -                 |
| <b>Total</b>  | <b>1,143,858</b>                     | <b>979,127</b>    | <b>878,260</b>                   | <b>732,618</b>    |
| Less allowance for decline in value and slow-moving               | (30,368)                             | (16,700)          | (30,368)                         | (8,150)           |
| <b>Net</b>  | <b>1,113,490</b>                     | <b>962,427</b>    | <b>847,892</b>                   | <b>724,468</b>    |
| Inventories recognised as an expense in<br>cost of sale of goods: |                                      |                   |                                  |                   |
| - Cost  | 15,302,968                           | 13,572,387        | 12,705,470                       | 11,818,885        |
| - (Reversal of) write-down to net realisable value                | 13,668                               | (33,875)          | 22,218                           | (31,480)          |
| <b>Net total</b>  | <b>15,316,636</b>                    | <b>13,538,512</b> | <b>12,727,688</b>                | <b>11,787,405</b> |

### 9 Investment in associate

|  | Consolidated<br>financial statements |                | Separate<br>financial statements |                |
|--|--------------------------------------|----------------|----------------------------------|----------------|
|  | 2017                                 | 2016           | 2017                             | 2016           |
| <i>(in thousand Baht)</i>                  |                                      |                |                                  |                |
| At 1 January                               | 386,065                              | 385,936        | 397,678                          | 397,678        |
| Share of profit of investment in associate | 375                                  | 129            | -                                | -              |
| <b>At 31 December</b>                      | <b>386,440</b>                       | <b>386,065</b> | <b>397,678</b>                   | <b>397,678</b> |



## Vinythai Public Company Limited and its Subsidiaries

### Note to the financial statements for the year end 31 December 2017

Investment in associate as at 31 December 2017 and 2016, and dividend income from this investment for the years then ended were as follows:

|                            | Consolidated financial statements |       |                    |         |         |         |            |         |
|----------------------------|-----------------------------------|-------|--------------------|---------|---------|---------|------------|---------|
|                            | Ownership interest                |       | Paid-up capital    |         | Cost    |         | Equity     |         |
|                            | 2017                              | 2016  | 2017               | 2016    | 2017    | 2016    | 2017       | 2016    |
|                            | (%)                               |       | (in thousand Baht) |         |         |         |            |         |
|                            |                                   |       |                    |         |         |         |            |         |
| <i>Associate</i>           |                                   |       |                    |         |         |         |            |         |
| Pimai Salt Company Limited | 28.49                             | 28.49 | 193,892            | 193,892 | 397,678 | 397,678 | 386,440    | 386,065 |
|                            |                                   |       |                    |         |         |         | -          | -       |
|                            |                                   |       |                    |         |         |         |            |         |
|                            | Separate financial statements     |       |                    |         |         |         |            |         |
|                            | Ownership interest                |       | Paid-up capital    |         | Cost    |         | Impairment |         |
|                            | 2017                              | 2016  | 2017               | 2016    | 2017    | 2016    | 2017       | 2016    |
|                            | (%)                               |       | (in thousand Baht) |         |         |         |            |         |
|                            |                                   |       |                    |         |         |         |            |         |
| <i>Associate</i>           |                                   |       |                    |         |         |         |            |         |
| Pimai Salt Company Limited | 28.49                             | 28.49 | 193,892            | 193,892 | 397,678 | 397,678 | -          | -       |
|                            |                                   |       |                    |         |         |         | 397,678    | 397,678 |
|                            |                                   |       |                    |         |         |         | -          | -       |

The Company's associate was incorporated in Thailand. The principal activity of the associate is industrial salt production.



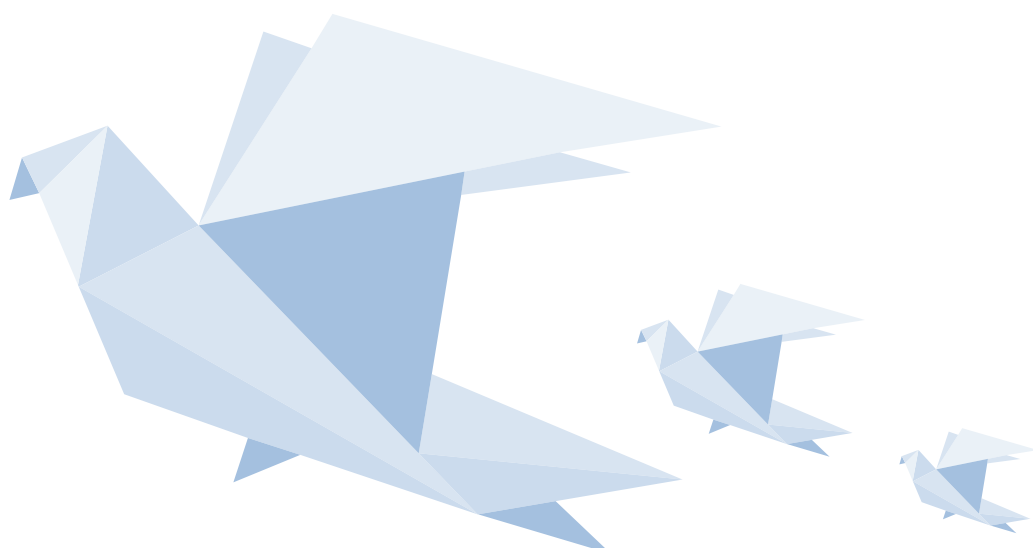
# Vinythai Public Company Limited and its Subsidiaries

## Note to the financial statements for the year end 31 December 2017

### *Immaterial associate*

The following is summarised financial information for the Group's interest in immaterial associate based on the amounts reported in the Group's consolidated financial statements:

|   | Immaterial associate      |         |
|---|---------------------------|---------|
|   | 2017                      | 2016    |
|   | <i>(in thousand Baht)</i> |         |
| Carrying amount of interests in immaterial associates | 386,440                   | 386,065 |
| Group's share of profit from continuing operations    | 375                       | 129     |





# Vinythai Public Company Limited and its Subsidiaries

## Note to the financial statements for the year end 31 December 2017

### 10 Investments in subsidiaries

Investments in subsidiaries as at 31 December 2017 and 2016, and dividend income from those investments for the years then ended were as follows:

| Separate financial statements                   |  |                    |      |                    |                    |             |           |                    |             |               |           |                 |      |
|---|--|--------------------|------|--------------------|--------------------|-------------|-----------|--------------------|-------------|---------------|-----------|-----------------|------|
|   | Type of business                               | Ownership interest |      | Paid-up capital    |                    | Cost method |           | Impairment         |             | At cost - net |           | Dividend income |      |
|   |  | 2017               | 2016 | 2017               | 2016               | 2017        | 2016      | 2017               | 2016        | 2017          | 2016      | 2017            | 2016 |
|   |  | (%)                |      |                    |                    |             |           | (in thousand Baht) |             |               |           |                 |      |
| Advanced Biochemical (Thailand) Company Limited | Manufacturing and trading of chemical products | 100                | 100  | Baht 1,500 million | Baht 1,500 million | 1,454,097   | 1,454,097 | (1,454,097)        | -           | -             | 1,454,097 | -               | -    |
|   |  |                    |      |                    |                    |             |           |                    |             |               |           |                 |      |
| Vinythai Holding Pte. Limited                   | Holding Company                                | 100                | 100  | CNY 287 million    | CNY 287 million    | 1,416,400   | 1,416,400 | (1,332,177)        | (1,416,400) | 84,223        | -         | -               | -    |
|   |  |                    |      |                    |                    |             |           |                    |             |               |           |                 |      |
| Solvay Biochemicals (Taixing) Limited           | Manufacturing and trading of chemical products |                    |      |                    |                    | 741,513     | -         | (741,513)          | -           | -             | -         | -               | -    |
|   |  |                    |      |                    |                    |             |           |                    |             |               |           |                 |      |
|   |  |                    |      |                    |                    | 3,612,010   | 2,870,497 | (3,527,787)        | (1,416,400) | 84,223        | 1,454,097 | -               | -    |

The Company recorded the forgiveness of loan principal and interest receivables totaling of Baht 741.5 million as cost of investment in SBT.

The Company assessed and recognised an impairment loss on such investment in the separate financial statements for the year ended 31 December 2017.



# Vinythai Public Company Limited and its Subsidiaries

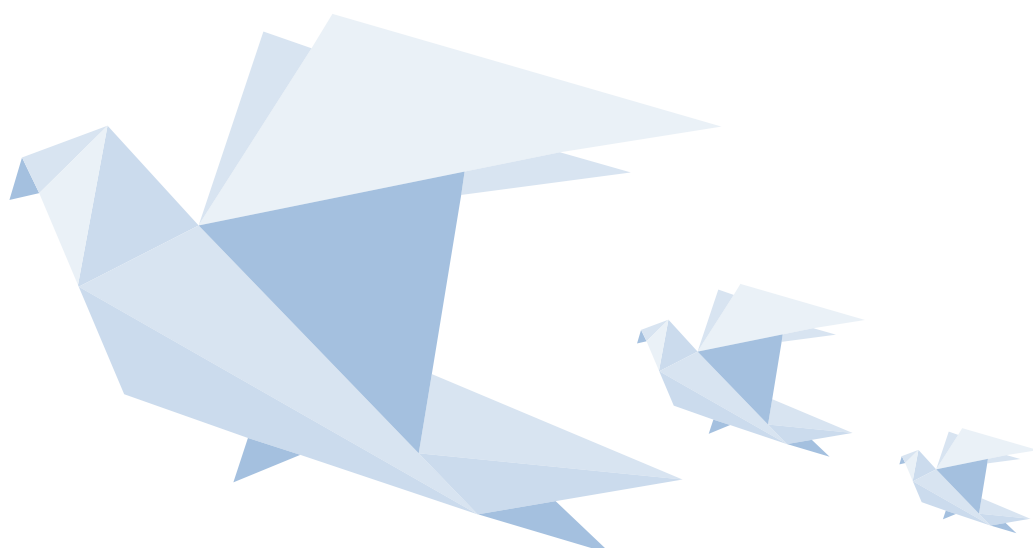
## Note to the financial statements for the year end 31 December 2017

One of the Group's business in Biochemical segment faced a number of challenges in the markets including the volatility of Epichlorohydrin prices and Glycerine prices due to their market situation and the shortage of supply, respectively. These factors, which the Group expects to persist in the foreseeable future, resulted in the the followings:

- 1) On 29 August 2013, the Board of Director's meeting of the Company had unanimously approved to suspend the construction project of Epichlorohydrin plant, located in Taixing Economic Development Zone, Jiangsu province, People's Republic of China, of Solvay Biochemicals (Taixing) Limited ("SBT"), which is the indirect subsidiary of the Company via Vinythai Holding Pte. Limited ("VNTH"), for some certain period and the decision to restart has been deferred for some additional time as the business conditions in China had not improved.

On 22 February 2017, the Board of Director's meeting of the Company had unanimously approved the termination of the construction project and the liquidation of VNTH and SBT. After that, the management started the process of disposing the assets which were presented as assets not used in operation in the statement of financial position. As of 31 December 2016, assets not used in operation in the consolidated financial statements were Baht 326.2 million. During the year ended 31 December 2017, the Company recorded a reversal of impairment loss of the assets of Baht 1,354.0 million, loss on write-off of the assets of Baht 1,483.5 million and loss on disposal of the assets of Baht 98.7 million in the consolidated financial statements.

The management presented the carrying values of the assets at their realisable value and the liabilities at their estimated settlement amounts, thus, during the year ended 31 December 2017 an allowance for doubtful accounts of other assets of Baht 103.7 million was additionally recorded in the consolidated financial statements and allowance for doubtful accounts of long-term loans to SBT of Baht 251.6 million and impairment loss on investment in VNTH of Baht 84.2 million were reversed in the separate financial statements.





## Vinythai Public Company Limited and its Subsidiaries

### Note to the financial statements for the year end 31 December 2017

- 2) Advanced Biochemical (Thailand) Company Limited (“ABT”), a wholly-owned subsidiary of the Company, incurred net operating losses for the year ended 31 December 2017 of Baht 380.9 million. The management believed that the value of investment in and loans to ABT, which presented in the separate financial statement, the net book value of property, plant and equipment and intangible assets, which presented in the consolidated financial statement might be impaired and prepared discounted cash flow projections (“DCF”) to determine the value in use of investment in ABT. The key assumptions included budgeted EBITDA and discount rate. Budgeted EBITDA was based on expectations of future outcomes taking into account past experience, adjusted for anticipated revenue growth. The discount rate was estimated based on the industry average weighted-average cost of capital.

As the recoverable amount of investment in ABT was less than its carrying amount, during the year ended 31 December 2017 the Company recognised an impairment loss on investment in ABT of Baht 1,454.1 million and allowance for doubtful accounts of long-term loans to ABT of Baht 690.0 million in the separate financial statements.





# Vinythai Public Company Limited and its Subsidiaries

Note to the financial statements for the year end 31 December 2017

## 11 Property, plant and equipment

|  | Consolidated financial statements |                        |                                   |                         |  |         |   |            |
|--|-----------------------------------|------------------------|-----------------------------------|-------------------------|--|---------|---|------------|
|  | Land                              | Lease land improvement | Building and building improvement | Machinery and equipment | Furniture, fixtures and office equipment | Vehicle | Asset under construction and machinery under installation | Total      |
| Cost                                   | (in thousand Baht)                |                        |                                   |                         |  |         |   |            |
| At 1 January 2016                      | 2,909                             | 589,882                | 2,166,348                         | 22,561,692              | 267,574                                  | 6,462   | 153,985   | 25,748,852 |
| Additions                              | -                                 | -                      | 1,686                             | 105,992                 | 1,757                                    | -       | 158,033   | 267,468    |
| Transfers                              | -                                 | -                      | 10,986                            | 134,538                 | 3,806                                    | -       | (149,330)   | -          |
| Disposals                              | (2,909)                           | (1,050)                | (64,009)                          | (51,520)                | (26,424)                                 | -       | -   | (145,912)  |
| At 31 December 2016 and 1 January 2017 | -                                 | 588,832                | 2,115,011                         | 22,750,702              | 246,713                                  | 6,462   | 162,688   | 25,870,408 |
| Additions                              | -                                 | -                      | 7,618                             | 19,407                  | 14,664                                   | -       | 319,130   | 360,819    |
| Transfers                              | -                                 | -                      | 10,662                            | 60,592                  | -  | -       | (71,254)  | -          |
| Disposals                              | -                                 | (12,744)               | (1,936)                           | (103,395)               | (116)                                    | -       | -   | (118,191)  |
| At 31 December 2017                    | -                                 | 576,088                | 2,131,355                         | 22,727,306              | 261,261                                  | 6,462   | 410,564   | 26,113,036 |
| Depreciation                           |                                   |                        |                                   |                         |  |         |   |            |
| At 1 January 2016                      | -                                 | 250,089                | 683,005                           | 12,652,518              | 240,964                                  | 6,462   | -   | 13,833,038 |
| Depreciation charge for the year       | -                                 | 12,418                 | 68,912                            | 1,379,897               | 6,561                                    | -       | -   | 1,467,788  |
| Disposals                              | -                                 | (1,050)                | (31,519)                          | (38,757)                | (25,786)                                 | -       | -   | (97,112)   |
| At 31 December 2016 and 1 January 2017 | -                                 | 261,457                | 720,398                           | 13,993,658              | 221,739                                  | 6,462   | -   | 15,203,714 |
| Depreciation charge for the year       | -                                 | 11,726                 | 67,763                            | 1,156,671               | 15,915                                   | -       | -   | 1,252,075  |
| Disposals                              | -                                 | (5,430)                | (933)                             | (64,325)                | (79)                                     | -       | -   | (70,767)   |
| At 31 December 2017                    | -                                 | 267,753                | 787,228                           | 15,086,004              | 237,575                                  | 6,462   | -   | 16,385,022 |
| Net book value                         |                                   |                        |                                   |                         |  |         |   |            |
| At 1 January 2016                      | 2,909                             | 339,793                | 1,483,343                         | 9,909,174               | 26,610                                   | -       | 153,985   | 11,915,814 |
| At 31 December 2016 and 1 January 2017 | -                                 | 327,375                | 1,394,613                         | 8,757,044               | 24,974                                   | -       | 162,688   | 10,666,694 |
| At 31 December 2017                    | -                                 | 308,335                | 1,344,127                         | 7,641,302               | 23,686                                   | -       | 410,564   | 9,728,014  |



# Vinythai Public Company Limited and its Subsidiaries

## Note to the financial statements for the year end 31 December 2017

|  | Separate financial statements |                        |                                   |                         |  |         |   |            |
|--|-------------------------------|------------------------|-----------------------------------|-------------------------|--|---------|---|------------|
|  | Land                          | Lease land improvement | Building and building improvement | Machinery and equipment | Furniture, fixtures and office equipment | Vehicle | Asset under construction and machinery under installation | Total      |
|  | (in thousand Baht)            |                        |                                   |                         |  |         |   |            |
| Cost                                   |                               |                        |                                   |                         |  |         |   |            |
| At 1 January 2016                      | 2,909                         | 589,882                | 1,624,508                         | 18,637,249              | 265,849                                  | 6,462   | 143,448   | 21,270,307 |
| Additions                              | -                             | -                      | 1,686                             | 105,992                 | 1,757                                    | -       | 121,010   | 230,445    |
| Transfers                              | -                             | -                      | 4,257                             | 104,955                 | 3,806                                    | -       | (113,018)   | -          |
| Disposals                              | (2,909)                       | (1,050)                | (64,009)                          | (51,520)                | (26,424)                                 | -       | -   | (145,912)  |
| At 31 December 2016 and 1 January 2017 | -                             | 588,832                | 1,566,442                         | 18,796,676              | 244,988                                  | 6,462   | 151,440   | 21,354,840 |
| Additions                              | -                             | -                      | 7,617                             | 5,612                   | 14,664                                   | -       | 261,117   | 289,010    |
| Transfers                              | -                             | -                      | 9,473                             | 55,945                  | -  | -       | (65,418)  | -          |
| Disposals                              | -                             | (12,744)               | (1,936)                           | (103,395)               | (116)                                    | -       | -   | (118,191)  |
| At 31 December 2017                    | -                             | 576,088                | 1,581,596                         | 18,754,838              | 259,536                                  | 6,462   | 347,139   | 21,525,659 |
| Depreciation                           |                               |                        |                                   |                         |  |         |   |            |
| At 1 January 2016                      | -                             | 250,089                | 601,339                           | 11,551,601              | 239,239                                  | 6,462   | -   | 12,648,730 |
| Depreciation charge for the year       | -                             | 12,418                 | 47,797                            | 1,090,697               | 6,561                                    | -       | -   | 1,157,473  |
| Disposals                              | -                             | (1,050)                | (31,519)                          | (38,757)                | (25,786)                                 | -       | -   | (97,112)   |
| At 31 December 2016 and 1 January 2017 | -                             | 261,457                | 617,617                           | 12,603,541              | 220,014                                  | 6,462   | -   | 13,709,091 |
| Depreciation charge for the year       | -                             | 11,726                 | 46,443                            | 868,626                 | 15,915                                   | -       | -   | 942,710    |
| Disposals                              | -                             | (5,430)                | (933)                             | (64,325)                | (79)                                     | -       | -   | (70,767)   |
| At 31 December 2017                    | -                             | 267,753                | 663,127                           | 13,407,842              | 235,850                                  | 6,462   | -   | 14,581,034 |
| Net book value                         |                               |                        |                                   |                         |  |         |   |            |
| At 1 January 2016                      | 2,909                         | 339,793                | 1,023,169                         | 7,085,648               | 26,610                                   | -       | 143,448   | 8,621,577  |
| At 31 December 2016 and 1 January 2017 | -                             | 327,375                | 948,825                           | 6,193,135               | 24,974                                   | -       | 151,440   | 7,645,749  |
| At 31 December 2017                    | -                             | 308,335                | 918,469                           | 5,346,996               | 23,686                                   | -       | 347,139   | 6,944,625  |

The gross amount of the Group's and the Company's fully depreciated plant and equipment that was still in use as at 31 December 2017 amounted to Baht 3,039.7 million and Baht 3,018.8 million, respectively (2016: Baht 2,752.2 million and Baht 2,750.4 million, respectively).



# Vinythai Public Company Limited and its Subsidiaries

## Note to the financial statements for the year end 31 December 2017

### 12 Intangible assets

|   | Consolidated financial statements |                   |                          |                |
|---|-----------------------------------|-------------------|--------------------------|----------------|
|   | Patents                           | Software licenses | Leasehold right for land | Total          |
| <i>(in thousand Baht)</i>                     |                                   |                   |                          |                |
| <i>Cost</i>                                   |                                   |                   |                          |                |
| At 1 January 2016                             | 356,604                           | 45,249            | -                        | 401,853        |
| Additions                                     | -                                 | -                 | 761                      | 761            |
| Transfers                                     | (359)                             | 359               | -                        | -              |
| Disposals                                     | -                                 | (29,472)          | -                        | (29,472)       |
| Foreign currency translation                  | -                                 | -                 | (25)                     | (25)           |
| <b>At 31 December 2016 and 1 January 2017</b> | <b>356,245</b>                    | <b>16,136</b>     | <b>736</b>               | <b>373,117</b> |
| Additions                                     | -                                 | 12,377            | -                        | 12,377         |
| Foreign currency translation                  | -                                 | -                 | 25                       | 25             |
| <b>At 31 December 2017</b>                    | <b>356,245</b>                    | <b>28,513</b>     | <b>761</b>               | <b>385,519</b> |
| <i>Amortisation</i>                           |                                   |                   |                          |                |
| At 1 January 2016                             | 88,216                            | 42,900            | -                        | 131,116        |
| Amortisation charge for the year              | 22,821                            | 882               | 44                       | 23,747         |
| Disposals                                     | -                                 | (29,410)          | -                        | (29,410)       |
| Foreign currency translation                  | -                                 | -                 | (1)                      | (1)            |
| <b>At 31 December 2016 and 1 January 2017</b> | <b>111,037</b>                    | <b>14,372</b>     | <b>43</b>                | <b>125,452</b> |
| Amortisation charge for the year              | 22,824                            | 3,002             | 75                       | 25,901         |
| Foreign currency translation                  | -                                 | -                 | 3                        | 3              |
| <b>At 31 December 2017</b>                    | <b>133,861</b>                    | <b>17,374</b>     | <b>121</b>               | <b>151,356</b> |
| <i>Net book value</i>                         |                                   |                   |                          |                |
| At 1 January 2016                             | 268,388                           | 2,349             | -                        | 270,737        |
| At 31 December 2016 and 1 January 2017        | 245,208                           | 1,764             | 693                      | 247,665        |
| At 31 December 2017                           | 222,384                           | 11,139            | 640                      | 234,163        |



# Vinythai Public Company Limited and its Subsidiaries

## Note to the financial statements for the year end 31 December 2017

|   | Separate financial statements |                   |               |
|---|-------------------------------|-------------------|---------------|
|   | Patents                       | Software licenses | Total         |
|   | <i>(in thousand Baht)</i>     |                   |               |
| <i>Cost</i>                                   |                               |                   |               |
| At 1 January 2016                             | 56,088                        | 45,249            | 101,337       |
| Transfers                                     | (359)                         | 359               | -             |
| Disposals                                     | -                             | (29,472)          | (29,472)      |
| <b>At 31 December 2016 and 1 January 2017</b> | <b>55,729</b>                 | <b>16,136</b>     | <b>71,865</b> |
| Additions                                     | -                             | 12,377            | 12,377        |
| <b>At 31 December 2017</b>                    | <b>55,729</b>                 | <b>28,513</b>     | <b>84,242</b> |
| <i>Amortisation</i>                           |                               |                   |               |
| At 1 January 2016                             | 9,765                         | 42,900            | 52,665        |
| Amortisation charge for the year              | 2,783                         | 882               | 3,665         |
| Disposals                                     | -                             | (29,410)          | (29,410)      |
| <b>At 31 December 2016 and 1 January 2017</b> | <b>12,548</b>                 | <b>14,372</b>     | <b>26,920</b> |
| Amortisation charge for the year              | 2,786                         | 3,002             | 5,788         |
| <b>At 31 December 2017</b>                    | <b>15,334</b>                 | <b>17,374</b>     | <b>32,708</b> |
| <i>Net book value</i>                         |                               |                   |               |
| At 1 January 2016                             | 46,323                        | 2,349             | 48,672        |
| <b>At 31 December 2016 and 1 January 2017</b> | <b>43,181</b>                 | <b>1,764</b>      | <b>44,945</b> |
| <b>At 31 December 2017</b>                    | <b>40,395</b>                 | <b>11,139</b>     | <b>51,534</b> |

## 13 Deferred tax

Deferred tax assets and liabilities as at 31 December were as follows:

|                                | Consolidated / Separate financial statements |                |             |          |
|--------------------------------|--|----------------|-------------|----------|
|                                | Assets                                       |                | Liabilities |          |
|                                | 2017   | 2016           | 2017        | 2016     |
|                                | <i>(in thousand Baht)</i>                    |                |             |          |
| Total                          | 305,989                                      | 399,630        | (23)        | (127)    |
| Set off of tax                 | (23)   | (127)          | 23          | 127      |
| <b>Net deferred tax assets</b> | <b>305,966</b>                               | <b>399,503</b> | <b>-</b>    | <b>-</b> |



# Vinythai Public Company Limited and its Subsidiaries

## Note to the financial statements for the year end 31 December 2017

Movements in total deferred tax assets and liabilities during the years were as follows:

|  | Consolidated / Separate financial statements |                         |                                  |                           |
|--|--|-------------------------|----------------------------------|---------------------------|
|  | At 1 January<br>2017                         | (Charged) / credited to |                                  | At 31<br>December<br>2017 |
|  |  | Profit or loss          | Other<br>comprehensive<br>income |                           |

(in thousand Baht)

### Deferred tax assets

|   |                |                 |            |                |
|---|----------------|-----------------|------------|----------------|
| Allowance for impairment loss on assets       | 5,963          | -               | -          | 5,963          |
| Allowance for decline in value of inventories | 1,630          | 4,443           | -          | 6,073          |
| Employee benefit obligations                  | 31,037         | 2,236           | 680        | 33,953         |
| Loss carry forward                            | 361,000        | (101,000)       | -          | 260,000        |
| <b>Total</b>                                  | <b>399,630</b> | <b>(94,321)</b> | <b>680</b> | <b>305,989</b> |

### Deferred tax liabilities

|                   |              |            |          |             |
|-------------------|--------------|------------|----------|-------------|
| Derivative assets | (127)        | 104        | -        | (23)        |
| <b>Total</b>      | <b>(127)</b> | <b>104</b> | <b>-</b> | <b>(23)</b> |

|            |                |                 |            |                |
|------------|----------------|-----------------|------------|----------------|
| <b>Net</b> | <b>399,503</b> | <b>(94,217)</b> | <b>680</b> | <b>305,966</b> |
|------------|----------------|-----------------|------------|----------------|

|  | Consolidated / Separate financial statements |                         |                                  |                           |
|--|--|-------------------------|----------------------------------|---------------------------|
|  | At 1 January<br>2016                         | (Charged) / credited to |                                  | At 31<br>December<br>2016 |
|  |  | Profit or loss          | Other<br>comprehensive<br>income |                           |

(in thousand Baht)

### Deferred tax assets

|   |                |                |              |                |
|---|----------------|----------------|--------------|----------------|
| Allowance for impairment loss on assets       | 5,963          | -              | -            | 5,963          |
| Allowance for decline in value of inventories | 7,926          | (6,296)        | -            | 1,630          |
| Employee benefit obligations                  | 23,603         | 3,750          | 3,684        | 31,037         |
| Loss carry forward                            | 361,000        | -              | -            | 361,000        |
| Derivative liabilities                        | 394            | (103)          | (291)        | -              |
| <b>Total</b>                                  | <b>398,886</b> | <b>(2,649)</b> | <b>3,393</b> | <b>399,630</b> |

### Deferred tax liabilities

|                   |          |          |              |              |
|-------------------|----------|----------|--------------|--------------|
| Derivative assets | -        | -        | (127)        | (127)        |
| <b>Total</b>      | <b>-</b> | <b>-</b> | <b>(127)</b> | <b>(127)</b> |

|            |                |                |              |                |
|------------|----------------|----------------|--------------|----------------|
| <b>Net</b> | <b>398,886</b> | <b>(2,649)</b> | <b>3,266</b> | <b>399,503</b> |
|------------|----------------|----------------|--------------|----------------|



# Vinythai Public Company Limited and its Subsidiaries

## Note to the financial statements for the year end 31 December 2017

Deferred tax assets have not been recognised in respect of the following items:

|   | Consolidated<br>financial statements |                  | Separate<br>financial statements |                |
|---|--------------------------------------|------------------|----------------------------------|----------------|
|   | 2017                                 | 2016             | 2017                             | 2016           |
| <i>(in thousand Baht)</i>                                     |                                      |                  |                                  |                |
| Allowance for doubtful account of trade                       |                                      |                  |                                  |                |
| accounts receivable and other assets                          | 106,913                              | 86,880           | 86,171                           | 86,880         |
| Allowance for doubtful account of long-term                   |                                      |                  |                                  |                |
| loans to subsidiary   | -                                    | -                | 138,000                          | 50,322         |
| Allowance for inventories devaluation                         | -                                    | 1,710            | -                                | -              |
| Allowance for impairment losses on investments                | -                                    | -                | 705,558                          | 283,280        |
| Allowance for impairment loss on assets not used in operation | -                                    | 270,801          | -                                | -              |
| Provision for trade discount                                  | 22,210                               | 25,227           | 22,210                           | 25,227         |
| Loss carry forward  | 937,714                              | 900,246          | 277,295                          | 486,944        |
| Others  | 5,989                                | -                | 5,989                            | -              |
| <b>Total</b>  | <b>1,072,826</b>                     | <b>1,284,864</b> | <b>1,235,223</b>                 | <b>932,653</b> |

The tax losses expire during 2019 to 2021. The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group and the Company can utilise the benefits therefrom.

As of 31 December 2017 and 2016, the Company has been granted privileges by the Board of Investment resulting the Company has recognised deferred tax assets in respect of a portion of unused tax losses. The management believes that it is probable that future taxable profits arising from the improvement of the Company's operations and the expiration of double deducting expenses for certain promotional certificates will be available against which such losses can be used and, therefore, the related deferred tax asset can be realised.



# Vinythai Public Company Limited and its Subsidiaries

## Note to the financial statements for the year end 31 December 2017

### 14 Interest-bearing liabilities

|   | Consolidated<br>financial statements |         | Separate<br>financial statements |         |
|---|--------------------------------------|---------|----------------------------------|---------|
|   | 2017                                 | 2016    | 2017                             | 2016    |
| <i>(in thousand Baht)</i>                           |                                      |         |                                  |         |
| <i>Current</i>                                      |                                      |         |                                  |         |
| Current portion of long-term borrowings - unsecured | -                                    | 618,354 | -                                | 618,354 |

The periods to maturity of interest-bearing liabilities as at 31 December were as follows:

|                           | Consolidated<br>financial statements |                | Separate<br>financial statements |                |
|---------------------------|--------------------------------------|----------------|----------------------------------|----------------|
|                           | 2017                                 | 2016           | 2017                             | 2016           |
| <i>(in thousand Baht)</i> |                                      |                |                                  |                |
| Within one year           | -                                    | 618,354        | -                                | 618,354        |
| <b>Total</b>              | <b>-</b>                             | <b>618,354</b> | <b>-</b>                         | <b>618,354</b> |

As at 31 December 2017, the Group and the Company has unutilised credit facilities totalling amount Baht 200 million (2016: 200 million).

The currency denomination of interest-bearing liabilities as at 31 December was as follows:

|                           | Consolidated<br>financial statements |                | Separate<br>financial statements |                |
|---------------------------|--------------------------------------|----------------|----------------------------------|----------------|
|                           | 2017                                 | 2016           | 2017                             | 2016           |
| <i>(in thousand Baht)</i> |                                      |                |                                  |                |
| Chinese Yuan (CNY)        | -                                    | 618,354        | -                                | 618,354        |
| <b>Total</b>              | <b>-</b>                             | <b>618,354</b> | <b>-</b>                         | <b>618,354</b> |



## Vinythai Public Company Limited and its Subsidiaries

### Note to the financial statements for the year end 31 December 2017

#### *Long-term loans from financial institutions*

The Company entered into long-term agreements with financial institutions for the projects of the Group. Long-term loans presented as follows.

| Date of loan agreement            | Currency     | Loan facility |      | Balance as at 31 December |      | Interest rate | Guarantee | Payment schedule  |
|-----------------------------------|--------------|---------------|------|---------------------------|------|---------------|-----------|---|
|                                   |              | 2017          | 2016 | 2017                      | 2016 | (%)           |           |   |
| (unit: Million) (in million Baht) |              |               |      |                           |      |               |           |   |
| 17 June 2013                      | Chinese Yuan | -             | 120  | -                         | 618  | 4.7           | Unsecured | 9 semi-annual instalments commencing from the fifty forth month after the initial utilisation (1 November 2013) |
|                                   |              |               |      | -                         | 618  |               |           |   |

The Company may prepay all or any part of any loan with the amount and condition as specified in the loan agreements. The Company is required to comply with certain covenants pertaining to maintenance of certain financial ratios, percentage of share held by the major shareholder and other conditions as specified in the agreements.

On 3 March 2015, the Company entered into a currency and interest rate swap contract with a local financial institution to protect the volatility of the foreign exchange rate for loan principal and interest rate which swap loan principal from loan in Chinese Yuan (CNY) of CNY 140 million to be loan in Baht of Baht 721.3 million and interest rates from CNY fixed interest rate of 4.7% per annum to Baht fixed interest rate of 2.96% per annum.

On 9 December 2016, the Company entered into an amendment to facility agreement dated 17 June 2013 with a local financial institution to reschedule the repayment date for remaining amount of loan principal for CNY 120 million and all loan principal was already repaid in February 2017 and August 2017.





# Vinythai Public Company Limited and its Subsidiaries

## Note to the financial statements for the year end 31 December 2017

### 15 Trade accounts payable

|                    |      | Consolidated<br>financial statements |           | Separate<br>financial statements |           |
|--------------------|------|--------------------------------------|-----------|----------------------------------|-----------|
|                    | Note | 2017                                 | 2016      | 2017                             | 2016      |
| (in thousand Baht) |      |                                      |           |                                  |           |
| Related parties    | 4    | 756,424                              | 593,291   | 738,255                          | 590,362   |
| Other parties      |      | 784,464                              | 754,539   | 511,683                          | 548,118   |
| Total              |      | 1,540,888                            | 1,347,830 | 1,249,938                        | 1,138,480 |

The currency denomination of trade accounts payable as at 31 December were as follows:

|                             | Consolidated<br>financial statements |                  | Separate<br>financial statements |                  |
|-----------------------------|--------------------------------------|------------------|----------------------------------|------------------|
|                             | 2017                                 | 2016             | 2017                             | 2016             |
| <i>(in thousand Baht)</i>   |                                      |                  |                                  |                  |
| Thai Baht (THB)             | 1,271,933                            | 1,048,876        | 1,161,902                        | 970,260          |
| United States Dollars (USD) | 242,686                              | 296,613          | 75,019                           | 165,946          |
| Euro (EUR)                  | 15,485                               | 1,586            | 12,126                           | 1,519            |
| Chinese Yuan (CNY)          | 8,876                                | -                | -                                | -                |
| Pound Sterling (GBP)        | 1,062                                | 25               | 200                              | 25               |
| Japanese Yen (JPY)          | 846                                  | 715              | 691                              | 715              |
| Singapore Dollars (SGD)     | -                                    | 15               | -                                | 15               |
| <b>Total</b>                | <b>1,540,888</b>                     | <b>1,347,830</b> | <b>1,249,938</b>                 | <b>1,138,480</b> |



# Vinythai Public Company Limited and its Subsidiaries

## Note to the financial statements for the year end 31 December 2017

### 16 Other current payables

|                                     |      | Consolidated<br>financial statements |         | Separate<br>financial statements |         |
|-------------------------------------|------|--------------------------------------|---------|----------------------------------|---------|
|                                     | Note | 2017                                 | 2016    | 2017                             | 2016    |
| (in thousand Baht)                  |      |                                      |         |                                  |         |
| Related parties                     | 4    | 2,332                                | 42,861  | 11,077                           | 11,921  |
| Other parties                       |      |                                      |         |                                  |         |
| Other payables                      |      | 126,626                              | 100,151 | 94,912                           | 85,269  |
| Accrued operating expenses          |      | 8,320                                | 27,128  | 6,155                            | 27,127  |
| Payables for fixed assets purchased |      | 34,457                               | 10,195  | 34,368                           | 8,585   |
|                                     |      | 169,403                              | 137,474 | 135,435                          | 120,981 |
| Total                               |      | 171,735                              | 180,335 | 146,512                          | 132,902 |

The currency denominations of other payables as at 31 December were as follows:

|                             | Consolidated<br>financial statements |         | Separate<br>financial statements |         |
|-----------------------------|--------------------------------------|---------|----------------------------------|---------|
|                             | 2017                                 | 2016    | 2017                             | 2016    |
| <i>(in thousand Baht)</i>   |                                      |         |                                  |         |
| Thai Baht (THB)             | 141,571                              | 130,270 | 140,201                          | 116,551 |
| United States Dollars (USD) | 17,383                               | 21,871  | 5,355                            | 10,097  |
| Euro (EUR)                  | 9,577                                | 19,716  | -                                | 1,264   |
| Chinese Yuan (CNY)          | 2,417                                | 8,473   | 252                              | 4,985   |
| Japanese Yen (JPY)          | 704                                  | 5       | 704                              | 5       |
| Singapore Dollars (SGD)     | 83                                   | -       | -                                | -       |
| Total                       | 171,735                              | 180,335 | 146,512                          | 132,902 |





# Vinythai Public Company Limited and its Subsidiaries

## Note to the financial statements for the year end 31 December 2017

### 17 Other current liabilities

|                    |      | Consolidated<br>financial statements |         | Separate<br>financial statements |        |
|--------------------|------|--------------------------------------|---------|----------------------------------|--------|
|                    | Note | 2017                                 | 2016    | 2017                             | 2016   |
| (in thousand Baht) |      |                                      |         |                                  |        |
| Related party      | 4    | 9,388                                | 7,523   | -                                | -      |
| Other parties      |      |                                      |         |                                  |        |
| Accrued bonus      |      | 102,390                              | 83,265  | 102,390                          | 81,186 |
| Others             |      | 16,572                               | 22,238  | 2,691                            | 12,428 |
| Total              |      | 128,350                              | 113,026 | 105,081                          | 93,614 |

### 18 Provisions for employee benefits

|  | Consolidated<br>financial statements |                | Separate<br>financial statements |                |
|--|--------------------------------------|----------------|----------------------------------|----------------|
|  | 2017                                 | 2016           | 2017                             | 2016           |
| <i>(in thousand Baht)</i>                |                                      |                |                                  |                |
| Statement of financial position          |                                      |                |                                  |                |
| Provisions for:                          |                                      |                |                                  |                |
| Post-employment benefits                 | 164,753                              | 150,223        | 164,753                          | 150,223        |
| Other long-term employment benefits      | 5,013                                | 4,965          | 5,013                            | 4,965          |
| Total                                    | <u>169,766</u>                       | <u>155,188</u> | <u>169,766</u>                   | <u>155,188</u> |
| Year ended 31 December                   |                                      |                |                                  |                |
| Statement of comprehensive income:       |                                      |                |                                  |                |
| Recognised in profit or loss             |                                      |                |                                  |                |
| Post-employment benefits                 | 13,930                               | 34,442         | 13,930                           | 34,442         |
| Other long-term employment benefits      | 454                                  | 751            | 454                              | 751            |
| Total                                    | <u>14,384</u>                        | <u>35,193</u>  | <u>14,384</u>                    | <u>35,193</u>  |
| Recognised in other comprehensive income |                                      |                |                                  |                |
| Actuarial losses recognised in the year  | 3,400                                | 1,981          | 3,400                            | 1,981          |
| Cumulative actuarial losses recognised   | <u>35,612</u>                        | <u>32,212</u>  | <u>35,612</u>                    | <u>32,212</u>  |



# Vinythai Public Company Limited and its Subsidiaries

## Note to the financial statements for the year end 31 December 2017

### Defined benefit plan

The Group and the Company operates defined benefit plans based on the requirement of Thai Labour Protection Act B.E. 2541 (1998) to provide retirement benefits to employees based on pensionable remuneration and length of service.

The defined benefit plans expose the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

Movement in the present value of the defined benefit obligations:

|   | Consolidated<br>financial statements |                | Separate<br>financial statements |                |
|---|--------------------------------------|----------------|----------------------------------|----------------|
|   | 2017                                 | 2016           | 2017                             | 2016           |
|   | <i>(in thousand Baht)</i>            |                |                                  |                |
| At 1 January                                  | 155,188                              | 118,014        | 155,188                          | 118,014        |
| <b>Included in profit or loss</b>             |                                      |                |                                  |                |
| Current service cost                          | 9,760                                | 9,046          | 9,760                            | 9,046          |
| Interest on obligation                        | 4,624                                | 4,199          | 4,624                            | 4,199          |
| Past service cost                             | -                                    | 21,663         | -                                | 21,663         |
| Actuarial loss                                | -                                    | 285            | -                                | 285            |
|   | <b>14,384</b>                        | <b>35,193</b>  | <b>14,384</b>                    | <b>35,193</b>  |
| <b>Included in other comprehensive income</b> |                                      |                |                                  |                |
| Actuarial loss                                | 3,400                                | 1,981          | 3,400                            | 1,981          |
| <b>Other</b>                                  |                                      |                |                                  |                |
| Benefits paid                                 | (3,206)                              | -              | (3,206)                          | -              |
| At 31 December                                | <b>169,766</b>                       | <b>155,188</b> | <b>169,766</b>                   | <b>155,188</b> |





# Vinythai Public Company Limited and its Subsidiaries

## Note to the financial statements for the year end 31 December 2017

Actuarial gains and losses recognised in other comprehensive income arising from:

|                           | Consolidated<br>financial statements |              | Separate<br>financial statements |              |
|---------------------------|--------------------------------------|--------------|----------------------------------|--------------|
|                           | 2017                                 | 2016         | 2017                             | 2016         |
| <i>(in thousand Baht)</i> |                                      |              |                                  |              |
| Financial assumptions     | 36                                   | 7,746        | 36                               | 7,746        |
| Experience adjustment     | 3,364                                | (5,765)      | 3,364                            | (5,765)      |
| <b>Total</b>              | <b>3,400</b>                         | <b>1,981</b> | <b>3,400</b>                     | <b>1,981</b> |

### Actuarial assumptions

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages).

|                      | Consolidated<br>financial statements |      | Separate<br>financial statements |      |
|----------------------|--------------------------------------|------|----------------------------------|------|
|                      | 2017                                 | 2016 | 2017                             | 2016 |
| <i>(%)</i>           |                                      |      |                                  |      |
| Discount rate        | 3.0                                  | 3.0  | 3.0                              | 3.0  |
| Future salary growth | 6.0                                  | 6.0  | 6.0                              | 6.0  |

Assumptions regarding future mortality have been based on published statistics and mortality tables.

At 31 December 2017, the weighted-average duration of the defined benefit obligation was 12 years (2016: 12 years).

### Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

|                           | Consolidated<br>financial statements |          | Separate<br>financial statements |          |
|---------------------------|--------------------------------------|----------|----------------------------------|----------|
|                           | Increase                             | Decrease | Increase                         | Decrease |
| <i>(in thousand Baht)</i> |                                      |          |                                  |          |

#### At 31 December 2017

|                                       |       |       |       |       |
|---------------------------------------|-------|-------|-------|-------|
| Discount rate (0.25% movement)        | (313) | 326   | (313) | 326   |
| Future salary growth (0.25% movement) | 344   | (330) | 344   | (330) |

#### At 31 December 2016

|                                       |       |       |       |       |
|---------------------------------------|-------|-------|-------|-------|
| Discount rate (0.25% movement)        | (120) | 634   | (120) | 634   |
| Future salary growth (0.25% movement) | 643   | (111) | 643   | (111) |

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.



# Vinythai Public Company Limited and its Subsidiaries

## Note to the financial statements for the year end 31 December 2017

### 19 Share capital

|                                  | Par value<br>per share | 2017                              |           | 2016      |           |
|----------------------------------|------------------------|-----------------------------------|-----------|-----------|-----------|
|                                  |                        | Number                            | Amount    | Number    | Amount    |
|                                  | (in Baht)              | (thousand shares / thousand Baht) |           |           |           |
| Authorised                       |                        |                                   |           |           |           |
| At 1 January - ordinary shares   | 6                      | 1,185,193                         | 7,111,161 | 1,185,193 | 7,111,161 |
| At 31 December - ordinary shares | 6                      | 1,185,193                         | 7,111,161 | 1,185,193 | 7,111,161 |
| Issued and paid-up               |                        |                                   |           |           |           |
| At 1 January - ordinary shares   | 6                      | 1,185,193                         | 7,111,161 | 1,185,193 | 7,111,161 |
| At 31 December - ordinary shares | 6                      | 1,185,193                         | 7,111,161 | 1,185,193 | 7,111,161 |

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

#### *Share premium*

Section 51 of the Public Companies Act B.E. 2535 requires companies to set aside share subscription monies received in excess of the par value of the shares issued to a reserve account ("share premium"). Share premium is not available for dividend distribution.

### 20 Reserves

Reserves comprise:

#### *Appropriations of profit and/or retained earnings*

##### Legal reserve

Section 116 of the Public Companies Act B.E. 2535 requires that a public company shall allocate not less than 5% of its annual net profit, less any accumulated losses brought forward, to a reserve account ("legal reserve"), until this account reaches an amount not less than 10% of the registered authorised capital. The legal reserve is not available for dividend distribution.



# Vinythai Public Company Limited and its Subsidiaries

## Note to the financial statements for the year end 31 December 2017

### *Other components of equity*

#### Currency translation differences

The currency translation differences account within equity comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as from the translation of liabilities that hedge the Company's net investment in a foreign operation.

#### Cash flow hedges

The cash flow hedges account within equity comprises the cumulative net change in the fair value of cash flow hedges related to hedged transactions that have not yet occurred.

#### Movements in reserves

Movements in reserves are shown in the statements of changes in equity.

## 21 Segment information

The Group has two reportable segments, as described below, which are the Group's strategic divisions. The strategic divisions offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic divisions, the chief operating decision maker (CODM) reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments.

- Segment 1 Vinyl segment
- Segment 2 Biochemical segment

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the Group's CODM. Segment profit before tax is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.



# Vinythai Public Company Limited and its Subsidiaries

## Note to the financial statements for the year end 31 December 2017

### Information about reportable segments

|   | Vinyl segment     |                   | Biochemical segment |                  | Total reportable segments |                   |
|---|-------------------|-------------------|---------------------|------------------|---------------------------|-------------------|
|   | 2017              | 2016              | 2017                | 2016             | 2017                      | 2016              |
| <i>(in thousand Baht)</i>   |                   |                   |                     |                  |                           |                   |
| External revenue  | 15,685,774        | 13,171,236        | 3,596,018           | 2,487,765        | 19,281,792                | 15,659,001        |
| Inter-segment revenue   | 773,616           | 674,083           | 205,138             | 178,655          | 978,754                   | 852,738           |
| <b>Total segment revenue</b>  | <b>16,459,390</b> | <b>13,845,319</b> | <b>3,801,156</b>    | <b>2,666,420</b> | <b>20,260,546</b>         | <b>16,511,739</b> |
| Other revenue   |                   |                   |                     |                  | 121,580                   | 227,884           |
| Elimination of inter-segment revenue  |                   |                   |                     |                  | (978,754)                 | (852,738)         |
| <b>Consolidated revenue</b>   |                   |                   |                     |                  | <b>19,403,372</b>         | <b>15,886,885</b> |
| Finance costs   | 18,401            | 15,551            | 5,168               | 33,470           | 23,569                    | 49,021            |
| Depreciation and amortisation   | 948,498           | 1,161,137         | 329,487             | 330,456          | 1,277,985                 | 1,491,593         |
| Capital expenditure   | 289,010           | 230,445           | 71,809              | 37,022           | 360,819                   | 267,467           |
| Segment profit (loss) before income tax   | 3,076,568         | 1,606,709         | (736,315)           | (491,468)        | 2,340,253                 | 1,115,241         |
| Elimination of inter-segment losses   |                   |                   |                     |                  | 4,098                     | 11,547            |
| <b>Consolidated profit before income tax</b>                                      |                   |                   |                     |                  | <b>2,344,351</b>          | <b>1,126,788</b>  |
| <b>Other material non-cash item:</b>  |                   |                   |                     |                  |                           |                   |
| - (Reversal of) impairment loss on assets not used in operation                   | -                 | -                 | (1,354,005)         | 2,994            | (1,354,005)               | 2,994             |
| - (Gain) loss on disposal of plant and equipment and assets not used in operation | (311)             | -                 | 98,749              | -                | 98,438                    | -                 |
| - Loss on write-off of plant and equipment and assets not used in operation       | 47,425            | -                 | 1,483,516           | -                | 1,530,941                 | -                 |
| - (Reversal of) doubtful debts expenses   | (3,543)           | -                 | 103,709             | -                | 100,166                   | -                 |
| Segment assets as at 31 December  | <b>15,583,371</b> | <b>14,100,601</b> | <b>4,295,594</b>    | <b>4,478,400</b> | <b>19,878,965</b>         | <b>18,579,001</b> |
| Segment liabilities as at 31 December   | <b>1,653,664</b>  | <b>1,509,331</b>  | <b>357,075</b>      | <b>905,400</b>   | <b>2,010,739</b>          | <b>2,414,731</b>  |



# Vinythai Public Company Limited and its Subsidiaries

## Note to the financial statements for the year end 31 December 2017

### Geographical information

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based principally in Thailand.

|                  | Revenues           |                   |
|------------------|--------------------|-------------------|
|                  | 2017               | 2016              |
|                  | (in thousand Baht) |                   |
| <b>Thailand</b>  |                    |                   |
| External revenue | 11,830,397         | 10,257,777        |
| Other revenue    | 121,580            | 227,884           |
|                  | 11,951,977         | 10,485,661        |
| India            | 2,139,516          | 813,361           |
| China            | 912,266            | 535,756           |
| South Korea      | 688,295            | 845,019           |
| Bangladesh       | 630,902            | 236,142           |
| Others           | 3,080,416          | 2,970,946         |
| <b>Total</b>     | <b>19,403,372</b>  | <b>15,886,885</b> |

### Major customer

Revenues from one customer of the Group's segments represents approximately Baht 1,679.3 million of the Group's total revenues.

## 22 Employee benefit expense

|                            | Consolidated<br>financial statements |                | Separate<br>financial statements |                |
|----------------------------|--------------------------------------|----------------|----------------------------------|----------------|
|                            | 2017                                 | 2016           | 2017                             | 2016           |
|                            | (in thousand Baht)                   |                |                                  |                |
| Wages and salaries         | 463,009                              | 452,299        | 455,615                          | 426,854        |
| Bonus                      | 135,308                              | 116,417        | 136,497                          | 113,672        |
| Director's remuneration    | 12,040                               | 9,067          | 12,040                           | 9,067          |
| Defined contribution plans | 23,954                               | 25,657         | 23,460                           | 24,973         |
| Defined benefit plans      | 14,384                               | 35,895         | 14,384                           | 35,895         |
| Others                     | 86,495                               | 82,207         | 83,152                           | 76,062         |
| <b>Total</b>               | <b>735,190</b>                       | <b>721,542</b> | <b>725,148</b>                   | <b>686,523</b> |



# Vinythai Public Company Limited and its Subsidiaries

## Note to the financial statements for the year end 31 December 2017

### Defined contribution plans

The defined contribution plans comprise provident funds established by the Group for its employees. Membership to the funds is on a voluntary basis. Contributions are made monthly by the employees at rates ranging from 3% to 15% of their basic salaries and by the Group at rates ranging from 5% to 8% of the employees' basic salaries. The provident funds are registered with the Ministry of Finance as juristic entities and are managed by a licensed Fund Manager.

## 23 Expenses by nature

The statements of income include an analysis of expenses by function. Expenses by nature disclosed in accordance with the requirements of various TFRS were as follows:

|   | Consolidated<br>financial statements |                   | Separate<br>financial statements |                   |
|---|--------------------------------------|-------------------|----------------------------------|-------------------|
|   | 2017                                 | 2016              | 2017                             | 2016              |
| <i>(in thousand Baht)</i>   |                                      |                   |                                  |                   |
| Changes in inventories of finished goods  | (149,156)                            | 61,665            | (160,079)                        | 129,639           |
| Raw materials and consumables used  | 10,500,371                           | 8,210,881         | 7,727,593                        | 6,462,539         |
| Electricity and fuel expense  | 3,328,815                            | 2,793,293         | 3,208,777                        | 2,670,375         |
| Depreciation and amortisation   | 1,277,985                            | 1,491,593         | 948,498                          | 1,161,137         |
| Employee benefit expenses   | 735,190                              | 721,542           | 725,148                          | 686,523           |
| Transportation expenses   | 459,512                              | 371,101           | 289,822                          | 243,495           |
| (Reversal of) impairment loss on assets not used in operation                       | (1,354,005)                          | 2,994             | -                                | -                 |
| Loss on write-off plant and equipment and assets not used in operation              | 1,530,941                            | 13,212            | 47,425                           | 13,150            |
| (Gain) loss on disposal of plant and equipment and assets not used in operation     | 98,438                               | (20,088)          | (311)                            | (20,154)          |
| Others  | 507,571                              | 1,065,012         | 940,485                          | 1,317,864         |
| <b>Total cost of sales of goods, distribution costs and administrative expenses</b> | <b>16,935,662</b>                    | <b>14,711,205</b> | <b>13,727,358</b>                | <b>12,664,568</b> |





# Vinythai Public Company Limited and its Subsidiaries

## Note to the financial statements for the year end 31 December 2017

### 24 Income tax

#### Income tax recognised in profit or loss

|  | Note | Consolidated financial statements |      | Separate financial statements |      |
|--|------|-----------------------------------|------|-------------------------------|------|
|  |      | 2017                              | 2016 | 2017                          | 2016 |

(in thousand Baht)

#### Current tax expense

|              |  |              |            |          |          |
|--------------|--|--------------|------------|----------|----------|
| Current year |  | 1,809        | 435        | -        | -        |
|              |  | <u>1,809</u> | <u>435</u> | <u>-</u> | <u>-</u> |

#### Deferred tax expense

|                                    |    |               |              |               |              |
|------------------------------------|----|---------------|--------------|---------------|--------------|
| Movements in temporary differences | 13 | 94,217        | 2,649        | 94,217        | 2,649        |
| Total                              |    | <u>96,026</u> | <u>3,084</u> | <u>94,217</u> | <u>2,649</u> |

#### Income tax recognised in other comprehensive income

|  | Consolidated financial statement |             |            |            |                       |            |
|--|----------------------------------|-------------|------------|------------|-----------------------|------------|
|  | 2017                             |             |            | 2016       |                       |            |
|  | Before tax                       | Tax benefit | Net of tax | Before tax | Tax (expense) benefit | Net of tax |

(in thousand Baht)

|   |                |            |                |                |              |              |
|---|----------------|------------|----------------|----------------|--------------|--------------|
| Cash flow hedges                              | 1,277          | -          | 1,277          | (112)          | (418)        | (530)        |
| Defined benefit plan actuarial gains (losses) | (3,400)        | 680        | (2,720)        | (1,981)        | 3,684        | 1,703        |
| Total   | <u>(2,123)</u> | <u>680</u> | <u>(1,443)</u> | <u>(2,093)</u> | <u>3,266</u> | <u>1,173</u> |

|  | Separate financial statement |             |            |            |                       |            |
|--|------------------------------|-------------|------------|------------|-----------------------|------------|
|  | 2017                         |             |            | 2016       |                       |            |
|  | Before tax                   | Tax benefit | Net of tax | Before tax | Tax (expense) benefit | Net of tax |

(in thousand Baht)

|   |                |            |                |                |              |              |
|---|----------------|------------|----------------|----------------|--------------|--------------|
| Cash flow hedges                              | -              | -          | -              | 226            | (418)        | (192)        |
| Defined benefit plan actuarial gains (losses) | (3,400)        | 680        | (2,720)        | (1,981)        | 3,684        | 1,703        |
| Total   | <u>(3,400)</u> | <u>680</u> | <u>(2,720)</u> | <u>(1,755)</u> | <u>3,266</u> | <u>1,511</u> |



# Vinythai Public Company Limited and its Subsidiaries

## Note to the financial statements for the year end 31 December 2017

### Reconciliation of effective tax rate

|  | Consolidated financial statements |                    |          |                    |
|--|-----------------------------------|--------------------|----------|--------------------|
|  | 2017                              |                    | 2016     |                    |
|  | Rate (%)                          | (in thousand Baht) | Rate (%) | (in thousand Baht) |
| Profit before income tax expense                                   |                                   | 2,344,351          |          | 1,126,788          |
| Income tax using the Thai corporation tax rate                     | 20                                | 468,870            | 20       | 225,358            |
| Income not subject to tax  |                                   | (25,467)           |          | -                  |
| Income not subject to tax from promotional privileges              |                                   | (26,890)           |          | -                  |
| Expenses additionally deductible for tax purposes                  |                                   | (5,577)            |          | (5,578)            |
| Expenses additionally deductible from promotional privileges       |                                   | (208,934)          |          | (327,141)          |
| Effect of different tax rates in foreign jurisdictions             |                                   | 45,204             |          | 150                |
| Expenses not deductible for tax purposes                           |                                   | 8,974              |          | 32,422             |
| Current year losses for which no deferred tax asset was recognised |                                   | 52,646             |          | 133,888            |
| Utilisation of previously unrecognised tax losses                  |                                   | (212,800)          |          | (56,015)           |
| <b>Total</b>   | <b>4</b>                          | <b>96,026</b>      | <b>-</b> | <b>3,084</b>       |

|  | Separate financial statements |                    |          |                    |
|--|-------------------------------|--------------------|----------|--------------------|
|  | 2017                          |                    | 2016     |                    |
|  | Rate (%)                      | (in thousand Baht) | Rate (%) | (in thousand Baht) |
| Profit before income tax expense                                   |                               | 526,416            |          | 1,572,183          |
| Income tax using the Thai corporation tax rate                     | 20                            | 105,283            | 20       | 314,437            |
| Income not subject to tax from promotional privileges              |                               | (119,508)          |          | -                  |
| Expenses additionally deductible for tax purposes                  |                               | (5,577)            |          | (5,578)            |
| Expenses additionally deductible from promotional privileges       |                               | (197,020)          |          | (311,570)          |
| Expenses not deductible for tax purposes                           |                               | 8,469              |          | 32,688             |
| Current year losses for which no deferred tax asset was recognised |                               | 512,219            |          | 28,687             |
| Utilisation of previously unrecognised tax losses                  |                               | (209,649)          |          | (56,015)           |
| <b>Total</b>   | <b>18</b>                     | <b>94,217</b>      | <b>-</b> | <b>2,649</b>       |

### Income tax reduction

Revenue Code Amendment Act No. 42 B.E. 2559 dated 3 March 2016 grants a reduction of the corporate income tax rate to 20% of net taxable profit for accounting periods which begin on or after 1 January 2016.



# Vinythai Public Company Limited and its Subsidiaries

## Note to the financial statements for the year end 31 December 2017

### 25 Promotional privileges

By virtue of the provisions of the Industrial Investment Promotion Act B.E. 2520, the Group has been granted privileges by the Board of Investment relating to various operations which included:

|    |  | The Company  |  |   |  | A subsidiary in Thailand  |                                |
|----|--|--|--|---|--|---|--------------------------------|
| 1. | Promotional certificate No.  | 1579/2541  | 1166(2)/2548   | 1164(2)/2550                            | 9010(2)/2553   | 2012(2)/2553  | 1694(2)/2551                   |
| 2. | Operations for which the privileges have been granted  | Manufacture of additional volumes of PVC and VCM, and caustic soda | Manufacture of additional volume of VCM and caustic soda | Manufacture of additional volume of PVC | Manufacture of additional volumes of PVC, VCM and caustic soda, and chlorine gas | Manufacture of additional volumes of caustic soda, and hydrogen gas | Manufacture of Epichlorohydrin |
| 3. | The privileges granted include:  |  |  |   |  |   |                                |
|    | 3.1 exemption from payment of income tax from the date on which the income is first derived from such operations   | 8 years  | 8 years  | 8 years                                 | 8 years  | 8 years   | 8 years                        |
|    | 3.2 A 50% reduction in the normal income tax rate on the net profit derived from certain operations for a period of 5 years, commencing from the expiry date in 3.1                            | Granted  | Granted  | Granted                                 | Not granted  | Granted   | Granted                        |
|    | 3.3 Permission to double deduct the amount expended on transportation, electricity and water for a period of 10 years from the date on which the income is first derived from such operations. | Granted  | Granted  | Granted                                 | Not granted  | Granted   | Granted                        |
| 4. | Date on which the income is first derived from operations  | 1 June 2002  | 1 January 2007   | 1 August 2008                           | 1 January 2011   | 1 July 2012   | 7 February 2012                |

As a promoted company, the Group must comply with certain terms and conditions prescribed in the promotional certificates.



# Vinythai Public Company Limited and its Subsidiaries

## Note to the financial statements for the year end 31 December 2017

Summary of revenue from promoted and non-promoted businesses:

|                           | Consolidated financial statements |                       |                   |                   |                       |                   |
|---------------------------|-----------------------------------|-----------------------|-------------------|-------------------|-----------------------|-------------------|
|                           | 2017                              |                       |                   | 2016              |                       |                   |
|                           | Promoted business                 | Non-promoted business | Total             | Promoted business | Non-promoted Business | Total             |
| <i>(in thousand Baht)</i> |                                   |                       |                   |                   |                       |                   |
| Export sales              | 3,268,750                         | 4,182,645             | 7,451,395         | 3,089,194         | 2,312,030             | 5,401,224         |
| Local sales               | 5,189,714                         | 6,640,683             | 11,830,397        | 5,866,866         | 4,390,911             | 10,257,777        |
| <b>Total revenues</b>     | <b>8,458,464</b>                  | <b>10,823,328</b>     | <b>19,281,792</b> | <b>8,956,060</b>  | <b>6,702,941</b>      | <b>15,659,001</b> |

|                           | Separate financial statements |                       |                   |                   |                       |                   |
|---------------------------|-------------------------------|-----------------------|-------------------|-------------------|-----------------------|-------------------|
|                           | 2017                          |                       |                   | 2016              |                       |                   |
|                           | Promoted business             | Non-promoted business | Total             | Promoted business | Non-promoted Business | Total             |
| <i>(in thousand Baht)</i> |                               |                       |                   |                   |                       |                   |
| Export sales              | 1,429,259                     | 3,075,195             | 4,504,454         | 1,729,839         | 1,754,106             | 3,483,945         |
| Local sales               | 3,793,289                     | 8,161,647             | 11,954,936        | 5,144,603         | 5,216,771             | 10,361,374        |
| <b>Total revenues</b>     | <b>5,222,548</b>              | <b>11,236,842</b>     | <b>16,459,390</b> | <b>6,874,442</b>  | <b>6,970,877</b>      | <b>13,845,319</b> |

## 26 Basic earnings per share

The calculations of basic earnings per share for years ended 31 December 2017 and 2016 were based on the profit for the years attributable to ordinary shareholders of the Company and the number of ordinary shares outstanding during the years as follows:

|   | Consolidated financial statements |           | Separate financial statements |           |
|---|-----------------------------------|-----------|-------------------------------|-----------|
|   | 2017                              | 2016      | 2017                          | 2016      |
| <i>(in thousand Baht / thousand shares)</i>                         |                                   |           |                               |           |
| Profit attributable to ordinary shareholders of the Company (basic) | 2,248,325                         | 1,123,703 | 432,199                       | 1,569,534 |
| Number of ordinary shares outstanding                               | 1,185,193                         | 1,185,193 | 1,185,193                     | 1,185,193 |
| Basic earnings per share <i>(in Baht)</i>                           | 1.90                              | 0.95      | 0.36                          | 1.32      |



# Vinythai Public Company Limited and its Subsidiaries

## Note to the financial statements for the year end 31 December 2017

### 27 Dividends

At the annual general meeting of the shareholders of the Company held on 27 April 2017, the shareholders approved the appropriation of dividends of Baht 0.45 per share, amounting to Baht 533.3 million. The dividend was paid to shareholders in May 2017.

At the annual general meeting of the shareholders of the Company held on 28 April 2016, the shareholders approved the appropriation of dividends of Baht 0.40 per share, amounting to Baht 474.1 million. The dividend was paid to shareholders in May 2016.

### 28 Financial instruments

#### *Financial risk management policies*

The Group is exposed to normal business risks from changes in market interest rates and currency exchange rates and from non-performance of contractual obligations by counterparties. The Group does not hold or issue derivative financial instruments for speculative or trading purposes.

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

#### *Capital management*

The Board of Directors' policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board monitors the return on capital, which the Group defines as result from operating activities divided by total shareholder's equity, excluding non-controlling interests and also monitors the level of dividends or ordinary shareholders.

#### *Interest rate risk*

Interest rate risk is the risk that future movements in market interest rates will affect the results of the Group's operations and its cash flows because loan interest rates are mainly fixed. The Group is primarily exposed to interest rate risk from its borrowings (see note 14). The Group mitigate this risk by using derivative financial instruments, principally interest rate swaps, to manage exposure to fluctuations in interest rates on specific borrowings and by matching the same interest rate between some loan receivables and interest-bearing liabilities to ensure the natural hedge of the loans.



## Vinythai Public Company Limited and its Subsidiaries

### Note to the financial statements for the year end 31 December 2017

The effective interest rates of loan receivables as at 31 December and the periods in which loan receivables mature or reprice were as follows:

|                  | Separate financial statements |                    |                                 |               |                  |
|------------------|-------------------------------|--------------------|---------------------------------|---------------|------------------|
|                  | Effective Interest Rates      | Within 1 year      | After 1 year but within 5 years | After 5 years | Total            |
|                  | (% per annum)                 | (in thousand Baht) |                                 |               |                  |
| <b>2017</b>      |                               |                    |                                 |               |                  |
| Short-term loans | 1.8 and 2.99                  | 1,861,598          | -                               | -             | 1,861,598        |
| Long-term loans  | 3.3                           | -                  | 2,523,767                       | -             | 2,523,767        |
|                  |                               | <b>1,861,598</b>   | <b>2,523,767</b>                | <b>-</b>      | <b>4,385,365</b> |
| <b>2016</b>      |                               |                    |                                 |               |                  |
| Short-term loans | 1.8 and 2.99                  | 1,411,321          | -                               | -             | 1,411,321        |
| Long-term loans  | 3.3 and 4.7                   | 1,238,087          | 2,008,665                       | -             | 3,246,752        |
|                  |                               | <b>2,649,408</b>   | <b>2,008,665</b>                | <b>-</b>      | <b>4,658,073</b> |

The effective interest rates of interest-bearing financial liabilities as at 31 December 2016 and the periods in which those liabilities mature or reprice were as follows:

|                 | Consolidated/Separate financial statements |                    |                                 |               |                |
|-----------------|--|--------------------|---------------------------------|---------------|----------------|
|                 | Effective Interest Rates                   | Within 1 year      | After 1 year but within 5 years | After 5 years | Total          |
|                 | (% per annum)                              | (in thousand Baht) |                                 |               |                |
| Long-term loans | 3.1  | <b>618,354</b>     | <b>-</b>                        | <b>-</b>      | <b>618,354</b> |

#### Foreign currency risk

The Group is exposed to foreign currency risk relating to purchases and sales which are denominated in foreign currencies. The Group primarily utilises forward exchange contracts with maturities of less than one year to hedge such financial assets and liabilities denominated in foreign currencies. The forward exchange contracts entered into at the reporting date also relate to anticipated purchases and sales, denominated in foreign currencies, for the subsequent period.





# Vinythai Public Company Limited and its Subsidiaries

## Note to the financial statements for the year end 31 December 2017

As at 31 December, the Group and the Company were exposed to foreign currency risk in respect of financial assets and liabilities denominated in the following currencies:

|  | Note | Consolidated<br>financial statements |      | Separate<br>financial statements |      |
|--|------|--------------------------------------|------|----------------------------------|------|
|  |      | 2017                                 | 2016 | 2017                             | 2016 |

(in thousand Baht)

*United States Dollars*

|   |    |                |                 |                |                |
|---|----|----------------|-----------------|----------------|----------------|
| Cash and cash equivalents                             | 5  | 752            | 28,248          | 653            | 7,377          |
| Trade accounts receivable                             | 6  | 785,029        | 414,335         | 237,529        | 198,635        |
| Other current receivables                             | 7  | 18             | 942             | 18             | 939            |
| Trade accounts payable                                | 15 | (242,686)      | (296,613)       | (75,019)       | (165,946)      |
| Other current payables                                | 16 | (17,383)       | (21,871)        | (5,355)        | (10,097)       |
| <b>Gross statement of financial position exposure</b> |    | <b>525,730</b> | <b>125,041</b>  | <b>157,826</b> | <b>30,908</b>  |
| Estimated of forecast sales                           |    | 408,002        | 276,946         | 384,266        | 228,237        |
| Estimated of forecast purchases                       |    | (25,690)       | (173,270)       | (25,690)       | (54,496)       |
| <b>Gross exposure</b>                                 |    | <b>908,042</b> | <b>228,717</b>  | <b>516,402</b> | <b>204,649</b> |
| Currency forwards                                     |    | (870,732)      | (310,508)       | (356,976)      | (153,739)      |
| <b>Net exposure</b>                                   |    | <b>37,310</b>  | <b>(81,791)</b> | <b>159,426</b> | <b>50,910</b>  |

*Euro*

|   |    |               |               |              |               |
|---|----|---------------|---------------|--------------|---------------|
| Cash and cash equivalents                             | 5  | 55,075        | 42,161        | -            | -             |
| Trade accounts receivable                             | 6  | 10,731        | 10,246        | -            | -             |
| Other current receivables                             | 7  | 230           | 895           | 419          | 1,677         |
| Short-term loans                                      | 4  | -             | -             | 11,598       | 11,321        |
| Trade accounts payable                                | 15 | (15,485)      | (1,586)       | (12,126)     | (1,519)       |
| Other current payables                                | 16 | (9,577)       | (19,716)      | -            | (1,264)       |
| <b>Gross statement of financial position exposure</b> |    | <b>40,974</b> | <b>32,000</b> | <b>(109)</b> | <b>10,215</b> |
| Currency forwards                                     |    | -             | (18,406)      | -            | -             |
| <b>Net exposure</b>                                   |    | <b>40,974</b> | <b>13,594</b> | <b>(109)</b> | <b>10,215</b> |



# Vinythai Public Company Limited and its Subsidiaries

## Note to the financial statements for the year end 31 December 2017

|  | Note | Consolidated<br>financial statements |      | Separate<br>financial statements |      |
|--|------|--------------------------------------|------|----------------------------------|------|
|  |      | 2017                                 | 2016 | 2017                             | 2016 |

(in thousand Baht)

*Chinese Yuan*

|   |    |               |                  |              |                |
|---|----|---------------|------------------|--------------|----------------|
| Cash and cash equivalents                             | 5  | 54,383        | 16,180           | -            | -              |
| Other current receivables                             | 7  | 4,325         | 4,440            | 4,325        | 10,120         |
| Long-term loans to subsidiary                         | 4  | -             | -                | -            | 722,986        |
| Trade accounts payable                                | 15 | (8,876)       | -                | -            | -              |
| Other current payables                                | 16 | (2,417)       | (8,473)          | (252)        | (4,985)        |
| Long-term loans from financial institution            | 14 | -             | (618,354)        | -            | (618,354)      |
| <b>Gross statement of financial position exposure</b> |    | <b>47,415</b> | <b>(606,207)</b> | <b>4,073</b> | <b>109,767</b> |
| Currency swap   |    | -             | 618,240          | -            | 618,240        |
| <b>Net exposure</b>                                   |    | <b>47,415</b> | <b>12,033</b>    | <b>4,073</b> | <b>728,007</b> |

*Japanese Yens*

|   |    |              |               |                |              |
|---|----|--------------|---------------|----------------|--------------|
| Trade accounts receivable                             | 6  | 6,061        | 10,929        | -              | -            |
| Trade accounts payable                                | 15 | (846)        | (715)         | (691)          | (715)        |
| Other current payables                                | 16 | (704)        | (5)           | (704)          | (5)          |
| <b>Gross statement of financial position exposure</b> |    | <b>4,511</b> | <b>10,209</b> | <b>(1,395)</b> | <b>(720)</b> |
| Estimated of forecast sales                           |    | 901          | -             | -              | -            |
| <b>Gross exposure</b>                                 |    | <b>5,412</b> | <b>10,209</b> | <b>(1,395)</b> | <b>(720)</b> |
| Currency forwards                                     |    | (6,224)      | (10,987)      | 706            | -            |
| <b>Net exposure</b>                                   |    | <b>(812)</b> | <b>(778)</b>  | <b>(689)</b>   | <b>(720)</b> |

*Other currencies*

|   |    |                |             |              |             |
|---|----|----------------|-------------|--------------|-------------|
| Trade accounts payable                                | 15 | (1,062)        | (40)        | (200)        | (40)        |
| Other current payables                                | 16 | (83)           | -           | -            | -           |
| <b>Gross statement of financial position exposure</b> |    | <b>(1,145)</b> | <b>(40)</b> | <b>(200)</b> | <b>(40)</b> |





# Vinythai Public Company Limited and its Subsidiaries

## Note to the financial statements for the year end 31 December 2017

### Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or a counterparty to settle its financial and contractual obligations to the Group as and when they fall due.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. At the reporting date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. However, due to the large number of parties comprising the Group's customer base, management does not anticipate material losses from its debt collection.

### Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

### Carrying amounts and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

|  | Note | Consolidated<br>financial statements |                       | Separate<br>financial statements |                       |
|--|------|--------------------------------------|-----------------------|----------------------------------|-----------------------|
|  |      | Carrying<br>amount                   | Fair value<br>level 2 | Carrying<br>amount               | Fair value<br>level 2 |

(in thousand Baht)

31 December 2017

#### Financial assets/Financial liabilities measured at fair value

##### Current

|                                 |  |     |     |     |     |
|---------------------------------|--|-----|-----|-----|-----|
| Derivatives (forward contracts) |  | (4) | (4) | 115 | 115 |
|---------------------------------|--|-----|-----|-----|-----|

#### Financial assets/Financial liabilities not measured at fair value

##### Non-current

|   |   |   |   |           |           |
|---|---|---|---|-----------|-----------|
| Long-term loans to subsidiaries - gross | 4 | - | - | 2,523,767 | 2,610,229 |
|---|---|---|---|-----------|-----------|



# Vinythai Public Company Limited and its Subsidiaries

## Note to the financial statements for the year end 31 December 2017

|  | Note | Consolidated<br>financial statements |                       | Separate<br>financial statements |                       |
|--|------|--------------------------------------|-----------------------|----------------------------------|-----------------------|
|  |      | Carrying<br>amount                   | Fair value<br>level 2 | Carrying<br>amount               | Fair value<br>level 2 |

(in thousand Baht)

31 December 2016

### Financial assets/Financial liabilities measured at fair value

#### Current

|   |  |          |          |          |          |
|---|--|----------|----------|----------|----------|
| Derivatives (forward contracts and currency and interest rate swap) |  | (11,880) | (11,880) | (10,484) | (10,484) |
|---|--|----------|----------|----------|----------|

### Financial assets/Financial liabilities not measured at fair value

#### Current

|  |    |           |           |           |           |
|--|----|-----------|-----------|-----------|-----------|
| Current portion of long-term loans to subsidiaries - gross | 4  | -         | -         | 1,238,087 | 1,309,433 |
| Current portion of long-term borrowings                    | 14 | (618,354) | (639,891) | (618,354) | (639,891) |

#### Non-current

|   |   |   |   |           |           |
|---|---|---|---|-----------|-----------|
| Long-term loans to subsidiaries - gross | 4 | - | - | 2,008,665 | 2,039,268 |
|---|---|---|---|-----------|-----------|

## Measurement of fair values

### Financial instruments measured at fair value

#### Type

#### Valuation technique

|                            |  |
|----------------------------|--|
| Forward exchange contracts | <i>Forward pricing:</i> The fair value is determined using quoted forward exchange rates at the reporting date and present value calculations based on high credit quality yield curves in the respective currencies.  |
| Interest rate swaps        | <i>Swap models:</i> The fair value is calculated as the present value of the estimated future cash flows. Estimates of future floating-rate cash flows are based on quoted swap rates, futures prices and interbank borrowing rates. Estimated cash flows are discounted using a yield curve constructed from similar sources and which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricing interest rate swaps. The fair value estimate is subject to a credit risk adjustment that reflects the credit risk of the Group and of the counterparty; this is calculated based on credit spreads derived from current credit default swap or bond prices. |





# Vinythai Public Company Limited and its Subsidiaries

## Note to the financial statements for the year end 31 December 2017

### Financial instruments not measured at fair value

| Type                            | Valuation technique   |
|---------------------------------|-----------------------|
| Long-term loans to subsidiaries | Discounted cash flows |
| Long-term borrowings            | Discounted cash flows |

## 29 Commitments

|  | Consolidated<br>financial statements |                  | Separate<br>financial statements |                |
|--|--------------------------------------|------------------|----------------------------------|----------------|
|  | 2017                                 | 2016             | 2017                             | 2016           |
| (in thousand Baht)   |                                      |                  |                                  |                |
| <i>Capital commitments</i>   |                                      |                  |                                  |                |
| Contracted but not provided for machinery and equipment                    | 80,181                               | 333,410          | 33,912                           | 26,013         |
| <b>Total</b>   | <b>80,181</b>                        | <b>333,410</b>   | <b>33,912</b>                    | <b>26,013</b>  |
| <i>Future minimum lease payment under non-cancellable operating leases</i> |                                      |                  |                                  |                |
| Within one year  | 159,397                              | 142,564          | 81,138                           | 64,663         |
| After one year but within five years                                       | 467,593                              | 474,251          | 154,983                          | 165,502        |
| After five years   | 340,033                              | 412,087          | -                                | -              |
| <b>Total</b>   | <b>967,023</b>                       | <b>1,028,902</b> | <b>236,121</b>                   | <b>230,165</b> |
| <i>Other commitments</i>   |                                      |                  |                                  |                |
| Purchase orders for raw material and spare parts                           | 856,898                              | 327,084          | 511,310                          | 82,312         |
| Bank guarantees  | 19,251                               | 20,592           | 16,306                           | 17,646         |
| <b>Total</b>   | <b>876,149</b>                       | <b>347,676</b>   | <b>527,616</b>                   | <b>99,958</b>  |

As at 31 December 2017, the Group had:

- operating lease agreements with both related and non-related parties covering the land, office premise, inventory tank, vehicles and office equipment for periods ranging from 0.5 years to 30 years expiring on various dates up to March 2040. However, the Company can renew the land rental agreement for another 20 years given the written notice to the counterparty not less than 6 months before the expiration of the agreement.
- bank guarantees issued by banks on behalf of the Company and its subsidiaries for leasehold right for land use, payment for pipeline placement, storage and electricity.
- commitments to purchase raw materials, packaging and spare parts from related parties and external suppliers at agreed prices.
- forward contracts with local financial institutions and branch of certain foreign financial institutions for protect import purchase transaction and export sale transaction which forecast that will be occurred as follows:



# Vinythai Public Company Limited and its Subsidiaries

## Note to the financial statements for the year end 31 December 2017

|                           |          | Consolidated<br>financial statements |        | Separate<br>financial statements |       |
|---------------------------|----------|--------------------------------------|--------|----------------------------------|-------|
|                           | Currency | 2017                                 | 2016   | 2017                             | 2016  |
| <i>(unit: thousand)</i>   |          |                                      |        |                                  |       |
| Estimated sales export    | USD      | 28,678                               | 14,151 | 12,023                           | 7,173 |
|                           | EUR      | -                                    | 494    | -                                | -     |
|                           | JPY      | 24,360                               | 35,884 | -                                | -     |
| Estimated import purchase | USD      | 752                                  | 5,282  | 574                              | 2,781 |
|                           | EUR      | -                                    | -      | -                                | -     |
|                           | JPY      | 2,483                                | -      | 2,483                            | -     |

### 30 Events after the reporting period

At the Board of Directors' Meeting hold on 23 February 2018, the directors resolved to propose the dividend payment of Baht 0.90 per share. The dividend payment shall be approved by its shareholders at the annual general meeting of the shareholders.

At the same aforementioned the Board of Directors' meeting, the directors approved the liquidation of Advanced Biochemical Europe due to internal business restructuring of the Group. The management foreseen the liquidation has no significant financial impact to the Group.





# GENERAL INFORMATION AND OTHER INFORMATION



## General Information

### (1) Information of Listed Company

|                                  |   |
|----------------------------------|---|
| Name of the Listed Company       | : Vinythai Public Company Limited   |
| Address of Head Office and Plant | : No. 2, I-3 Road, Map Ta Phut Industrial Estate, Tambon Map Ta Phut, Amphoe Mueang, Rayong Province 21150 Thailand     |
| Telephone No.                    | : +66-3868-3112, +66-3892-5000  |
| Fax No.                          | : +66-3868-3048   |
| Address of Business Office       | : No. 11 Q.House Sathorn, 18 <sup>th</sup> Floor, South Sathon Road, Thung Maha Mek, Sathon, Bangkok 10120, Thailand    |
| Telephone No.                    | : +66-2030-6800   |
| Fax No.                          | : +66-2030-6801-2   |
| Type of Business                 | : Production and supply of petrochemical products: PVC resins, VCM, Caustic Soda and other products from PVC production |
| Company's Registration No.       | : 0107536000846   |
| Home Page                        | : <a href="http://www.vinythai.co.th">www.vinythai.co.th</a>  |
| Registered Capital               | : 7,111,160,664 Baht  |
| Number of Ordinary Shares        | : 1,185,193,444 Shares  |
| Number of Fully Paid-up Shares   | : 1,185,193,444 shares  |

### Information concerning Juristic Person in which Vinythai holds at least 10% of issued shares

#### (a) *Advanced Biochemical (Thailand) Company Limited*

|                                  |  |
|----------------------------------|--|
| Address of Head Office and Plant | : No. 2/1, I-3 Road, Map Ta Phut Industrial Estate, Tambon Map Ta Phut, Amphoe Mueang, Rayong Province 21150, Thailand |
| Telephone No.                    | : +66-3868-3112, +66-3892-5000   |
| Fax No.                          | : +66-3868-3048  |
| Address of Business Office       | : No. 11 Q.House Sathorn, 18 <sup>th</sup> Floor, South Sathon Road, Thung Maha Mek, Sathon, Bangkok 10120, Thailand   |
| Telephone No.                    | : +66-2030-6800  |
| Fax No.                          | : +66-2030-6801-2  |
| Type of Business                 | : Manufacturing and trading of chemical product (Epichlorohydrin)  |
| Company's Registration No.       | : 0105551033847  |
| Home Page                        | : -  |
| Registered Capital               | : 1,500,000,000 Baht   |
| Number of Ordinary Shares        | : 15,000,000 Shares  |
| Number of Fully Paid-up Shares   | : 15,000,000 Shares  |



***(b) Vinythai Holding Pte. Ltd.***

|                                |               |   |
|--------------------------------|---------------|---|
| Address of Business Office     | :             | No. 10 Collyer Quay #10-01 Ocean Financial Centre, Singapore (049315) |
|                                | Telephone No. | : +65-6531-4187   |
| Type of Business               | :             | Holding company   |
| Company's Registration No.     | :             | 201221341H  |
| Registered Capital             | :             | 286,690,007 RMB   |
| Number of Ordinary Shares      | :             | 286,690,007 Shares  |
| Number of Fully Paid-up Shares | :             | 286,690,007 Shares  |

***(c) Solvay Biochemicals (Taixing) Co., Ltd.***

|                            |   |   |
|----------------------------|---|---|
| Address of Business Office | : | No.1, Futai Road, Taixing Economic Development Zone, Jiangsu Province, the People's Republic of China |
| Type of Business           | : | Manufacturing and trading of chemical product (Epichlorohydrin)                                       |
| Company's Registration No. | : | 321200400016994   |
| Registered Capital         | : | 45,340,000 USD  |

***(d) Advanced Biochemicals Europe***

|                            |   |  |
|----------------------------|---|--|
| Address of Business Office | : | 310, Rue de Ransbeek, Brussels, 1120 Belgium |
| Type of Business           | : | Distribution of products in Europe           |
| Company's Registration No. | : | 2016003                                      |
| Registered Capital         | : | 20,000 EUR                                   |

***(e) Pimai Salt Co., Ltd.***

|                                |               |   |
|--------------------------------|---------------|---|
| Address of Business Office     | :             | 1 <sup>st</sup> Floor Room A, Srfuengfung Building, 1016 Rama 4 Road, Silom Sub-district, Bangrak District, Bangkok 10500 |
|                                | Telephone No. | : +66-2633-9380-3   |
|                                | Fax No.       | : +66-2633-9390   |
| Type of Business               | :             | Manufacturing of salt   |
| Company's Registration No.     | :             | 0105537097221   |
| Home Page                      | :             | <a href="http://www.psc.co.th">www.psc.co.th</a>  |
| Registered Capital             | :             | 193,891,500 Baht  |
| Number of Ordinary Shares      | :             | 1,938,915 Shares  |
| Number of Fully Paid-up Shares | :             | 1,938,915 Shares  |



### (3) Other Referenced Information

|                          |                 |   |
|--------------------------|-----------------|---|
| Ordinary Share Registrar | :               | Thailand Securities Depository Co., Ltd. 93 Ratchadaphisek Road, Din Daeng, Bangkok 10400, Thailand     |
|                          | Telephone No.   | : +66-2009-9000   |
|                          | Fax No.         | : +66-2009-9991   |
|                          | TSD Call Center | : +66-2009-9999   |
|                          | Website         | : <a href="http://www.set.or.th/tsd">http://www.set.or.th/tsd</a>                                       |
|                          | E-mail          | : SETContactCenter@set.or.th  |
| Auditor                  | :               | Miss Sirinuch Vimolsathit and/or<br>Mr. Waiyawat Kosamarnchaiyakit and/or<br>Ms. Sureerat Thongarunsang |
|                          |                 | KPMG Phoomchai Audit Limited 48 <sup>th</sup> Floor, Empire Tower 195 South Sathorn Road, Bangkok 10120 |
|                          | Telephone No.   | : +66-2677-2000   |
|                          | Fax No.         | : +66-2677-2222   |
| Legal Counsel Limited    | :               | Chandler MHM Co., Ltd.  |
|                          |                 | 7 <sup>th</sup> Floor, Bubhagit Building 20 North Sathorn Road, Bangkok 10500                           |
|                          | Telephone No.   | : +66-2266-6485   |
|                          | Fax No.         | : +66-2266-6483-4   |

### Other Important Information

-None-





# SHAREHOLDERS AND DIVIDEND PAYMENT POLICY

## Number of Common Shares and Paid-up Capital

- (a) Registered capital and Paid-up capital was Baht 7,111,160,664 consist of 1,185,193,444 ordinary shares of 6 Baht each.
- (b) Other Shares:  
none

## Shareholders

- (a) Major Shareholders:

| No. | Names of Shareholders   | 11 May 2017               |        |
|-----|---|---------------------------|--------|
|     |   | Number of Shares (Shares) | %      |
| 1   | ASAHI GLASS CO., LTD. (JAPAN)   | 696,663,509               | 58.781 |
| 2   | PTT GLOBAL CHEMICAL PUBLIC COMPANY LIMITED  | 296,038,689               | 24.978 |
| 3   | NORTRUST NOMINEES LIMITED - THE NORTHERN TRUST COMPANY RE IEDU UCITS CLIENTS 10 PCT ACCOUNT | 10,220,200                | 0.862  |
| 4   | MR. YANYONG PHATRALAOHA   | 9,959,235                 | 0.840  |
| 5   | THAI NVDR COMPANY LIMITED   | 8,519,568                 | 0.719  |
| 6   | MS. WANNGAM KITTHANAMONGKONCHAI   | 8,000,000                 | 0.675  |
| 7   | MR. KITTI PHATRALAOHA   | 6,721,230                 | 0.567  |
| 8   | MR. NARONG PHATRALAOHA  | 6,629,645                 | 0.559  |
| 9   | EAST FOURTEEN LIMITED-DIMENSIONAL EMER MKTS VALUE FD  | 6,229,617                 | 0.526  |
| 10  | VALUE PLUS – DIVIDEND LONG TERM EQUITY FUND   | 4,961,000                 | 0.419  |

- (b) At the above-mentioned latest closing date of the share register, the group of major shareholders who can

significantly influence and determine the policy, management and operations of the Company are as follows:

- ASAHI GLASS CO., LTD. (JAPAN) held a total of 696,663,509 shares, or 58.781%, in the Company: ASAHI GLASS CO., LTD. (JAPAN) 58.781%
- PTT Global Chemical Public Company Limited holds a total of 296,038,689 shares, or 24.978%, in the Company: PTT Global Chemical Public Company Limited 24.978%

- (c) Shareholder's Support Agreement  
none

## Other Securities

none

## Dividend Policy

It is the policy of the Company to pay an annual dividend of not less than 30 percent of net profit after tax and legal reserve.

## The Dividend Payment Policy for VNT's Subsidiaries

The payment of dividends by the subsidiaries shall be considered and proposed by the Board of Directors of each subsidiary for approval at the Annual General Meeting of each subsidiary. The dividend payment of subsidiaries shall be calculated based on the investment plans and other requirements and considerations, such as the adequacy of cash flow of each subsidiary after deducting reserve funds in accordance with the law.



## 2017 SIGNIFICANT RELATED TRANSACTIONS

The Company had significant business transactions with subsidiary, associated and related parties as following:

|                                     |   |   |  |                                     | Thousand THB | Thousand THB |
|-------------------------------------|---|---|--|-------------------------------------|--------------|--------------|
| No.                                 | Company                                   | Product or nature of business               | Nature of relationship and connected transactions  | Transaction between companies       | 2016         | 2017         |
| Transaction with parent company:    |   |   |  |                                     |              |              |
| 1                                   | Asahi Glass Co., Ltd.                     | Production and distribution of glass        | Major shareholder, 59% shareholding since 22 February 2017                                 | Purchase of machinery and equipment | -            | 19,925       |
|                                     |   |   |  | Service expense                     | -            | 1,454        |
|                                     |   |   |  | Reimbursement expense               | -            | 476          |
| Transaction with subsidiaries:      |   |   |  |                                     |              |              |
| 1                                   | Advanced Biochemical (Thailand) Co., Ltd. | Production of Epichlorohydrin (ECH)         | Subsidiary, 100% shareholding  | Service income                      | 144,169      | 171,109      |
|                                     |   |   |  | Interest income                     | 109,609      | 111,396      |
|                                     |   |   |  | Sale of Caustic Soda and CL2        | 674,083      | 773,616      |
|                                     |   |   |  | Reimbursement income                | 10           | 56           |
|                                     |   |   |  | Revenue from sale of spare parts    | 4,252        | 5,072        |
|                                     |   |   |  | Purchase of raw materials           | 174,963      | 196,877      |
|                                     |   |   |  | Reimbursement expense               | 203          | 203          |
|                                     |   |   |  | Purchase of spare parts             | 379          | 434          |
| 2                                   | Solvay Biochemicals (Taixing) Co., Ltd.   | Production of Epichlorohydrin (ECH)         | Indirect subsidiary, 100% shareholding by subsidiary                                       | Interest income                     | 34,700       | 16,545       |
| 3                                   | Advanced Biochemical Europe               | Distribution of Epichlorohydrin (ECH)       | Indirect subsidiary, 99.9% shareholding by subsidiary and 0.1% shareholding by the Company | Interest income                     | 185          | 344          |
| Transaction with associate company: |   |   |  |                                     |              |              |
| 1                                   | Pimai Salt Co., Ltd.                      | Manufactured and trading of industrial salt | Vinythai holds 28.49 percent.  | Purchase of raw materials           | 383,276      | 413,049      |



Thousand  
THB

Thousand  
THB

| No.                               | Company                               | Product or nature of business  | Nature of relationship and connected transactions                       | Transaction between companies             | 2016      | 2017      |
|-----------------------------------|---------------------------------------|--|---|---|-----------|-----------|
| Transaction with related company: |                                       |  |   |   |           |           |
| 1                                 | Solvay S.A. and Solvay's Subsidiaries | Production and distribution of products in 2 core businesses: Chemical and Plastic   | Solvay S.A. holds 100 percent of Solvay Vinyls Holding AG's shares.     | Interest income                           | 1         | -         |
|                                   |                                       |  |   | Service income                            | 4,903     | 553       |
|                                   |                                       |  |   | SIS service charge                        | 23,044    | 1,984     |
|                                   |                                       |  |   | License and technical assistance services | 3,643     | 1,303     |
|                                   |                                       |  |   | Commission expenses                       | 1,718     | 285       |
|                                   |                                       |  |   | Purchase of raw materials                 | 8,241     | 522       |
|                                   |                                       |  |   | Services expenses and others              | 5,615     | 1,733     |
| 2                                 | Solvay Peroxythai Co., Ltd.           | Production and distribution of hydrogen peroxide   | Company owned by Solvay's subsidiaries holds 100 percent of its shares. | Sales of Hydrogen                         | 47,086    | 6,002     |
|                                   |                                       |  |   | Service income                            | 1,841     | 294       |
|                                   |                                       |  |   | Reimbursement income                      | 150       | 37        |
|                                   |                                       |  |   | Purchase of hydrogen peroxide 50%         | 1,915     | -         |
| 3                                 | Solvay Asia Pacific Co., Ltd.         | Regional Office Headquarter to provide services and consulting for business administration and technical assistances to affiliates | Solvay S.A. holds 100 percent of Solvay Asia Pacific's shares.          | Service income                            | 9,368     | 1,529     |
|                                   |                                       |  |   | Service expense                           | 10,300    | 846       |
|                                   |                                       |  |   | Reimbursement income                      | 97        | -         |
| 4                                 | MTP HP JV (Thailand) Co., Ltd.        | Production and distribution of hydrogen peroxide   | Company owned by Solvay's subsidiaries                                  | Sales of Caustic Soda                     | 17,900    | 3,242     |
| 5                                 | PTT Global Chemical Public Co., Ltd.  | Production and distribution of petrochemical products, by-products and the provision of support services                           | Holds 24.98 percent of the Company's share                              | Sales of Caustic Soda                     | 66,812    | 100,345   |
|                                   |                                       |  |   | Purchase of ethylene                      | 5,191,146 | 6,194,187 |
|                                   |                                       |  |   | Throughput fee and services               | 559       | -         |
| 6                                 | Thai Tank Terminal Ltd.               | Provides storage and transport services for liquid chemicals, oil and gas.   | Subsidiary of PTT Global Chemical Public Co., Ltd.                      | Rental tank and services                  | 57,084    | 50,100    |
| 7                                 | PTT Public Co., Ltd.                  | Production and distribution of oil and gas   | Parent company of PTT Global Chemical Public Co., Ltd.                  | Purchase of raw materials                 | 247,929   | 254,394   |
|                                   |                                       |  |   | Service expense                           | 587       | 621       |



|     |  |  |   |                               | Thousand THB | Thousand THB |
|-----|--|--|---|-------------------------------|--------------|--------------|
| No. | Company  | Product or nature of business  | Nature of relationship and connected transactions           | Transaction between companies | 2016         | 2017         |
| 8   | PTT Asahi Chemical Co., Ltd.                   | Production and distribution of acrylonitrile and methyl methacrylate | Joint venture of PTT Global Chemical Public Co., Ltd.       | Sales of Caustic Soda         | 26,827       | 39,587       |
| 9   | Polymer Marketing DMCC Co., Ltd.               | Polymer sales and marketing in Middle East                           | Indirect subsidiary of PTT Global Chemical Public Co., Ltd. | Sales of PVC                  | 174,181      | 235,888      |
| 10  | TOC Glycol Co., Ltd.                           | Production of ethylene oxide and ethylene glycol                     | Subsidiary of PTT Global Chemical Public Co., Ltd.          | Sales of Caustic Soda         | 4,714        | 4,652        |
| 11  | NPC Safety and Environmental Service Co., Ltd. | Provides safety and environmental services                           | Subsidiary of PTT Global Chemical Public Co., Ltd.          | Service expense               | 91           | 372          |
| 12  | PTT Polymer Logistics Co., Ltd.                | Provides logistics services  | Subsidiary of PTT Global Chemical Public Co., Ltd.          | Transportation expense        | 19,706       | 20,715       |
| 13  | AGC Chemicals (Thailand) Co., Ltd.             | Production and distribution of Caustic Soda                          | Subsidiary of Asahi Glass Co., Ltd.                         | Sales of Caustic Soda         | -            | 797,634      |
|     |  |  |   | Purchase of raw materials     | -            | 13,428       |
|     |  |  |   | Purchase of spare parts       | -            | 1,089        |
| 14  | AGC Chemicals Vietnam Co., Ltd.                | Production and distribution of Caustic Soda                          | Subsidiary of Asahi Glass Co., Ltd.                         | Reimbursement expense         | -            | 10           |

**Remark:**

The above related party transactions are in the ordinary course of business. The amount shown above were already included in the Statements of Income.

There are additional explanations in Notes no. 4 to the 2017 financial statements as examined and reported by the auditor under his/her audit report dated 23 February 2018.





# AWARDS & CSR 2017



# Awards and Recognitions



Air Chief Marshal Chalit Pookpasuk, Privy Councilor (right) presented Suriya Sasitorn award for notebook to Mr. Hiroaki Sano, Managing Director of Vinythai Plc. The winning notebook was created with a concept "Local Product Promotion"



Mr. Pramon Sutivong, CAC Councilor (left), presented the certificate to Mr. Sompot Cheeranorawanich, Vice President, Corporate Affairs and Communications, Vinythai Plc.



Dr. Wijarn Simachaya, Permanent Secretary of Ministry of Natural Resources and Environment (right) presented a plaque of appreciation in greenhouse gas reduction to Mr. Apichart Kijjaroenvisal, Plant Manager of Vinythai Plc.



Mr. Apichart Kijjaroenvisal, Plant Manager (4<sup>th</sup> left) led Vinythai team to receive a certificate of appreciation for Thailand V-ETS participation.







Vinythai Plc. won "Supplier Excellence Award 2017" in service category from InterfaceFLOR (Thailand) Co., Ltd.



Mr. Lester Tan Teck Chuan, Senior Vice President - Non-Alcoholic Beverage Business of Thai Beverage Plc. (left) presented the Supplier Award (Silver level) to Mr. Sarawoot Polbumroong, CA Sales Division Manager



Vinythai is 1 of 100 leading companies recognised as outstanding performance in Environmental, Social and Governance aspects (ESG100) announced by Thaipat Institute.

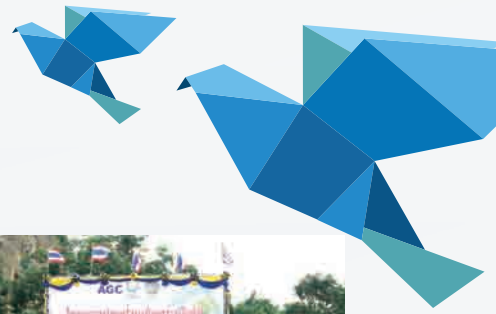
## CSR



## Health and Safety of Employees and Surrounding Communities







## Environmental Conservation and Management



## Educational Support for Youths







## Activities Supporting Religions, Traditions and Important National Days



## Occupational Development and Community Well-being







Annual Report 2017



Annual Report 2016



Annual Report 2015



Annual Report 2014



Annual Report 2013



Annual Report 2012



Annual Report 2011



Annual Report 2010



Annual Report 2009



Annual Report 2008



Annual Report 2007



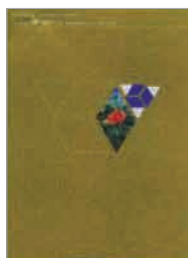
Annual Report 2006



Annual Report 2005



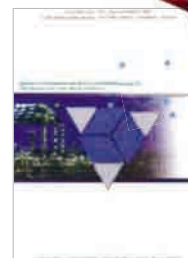
Annual Report 2004



Annual Report 2003



Annual Report 2002



Annual Report 2001



Annual Report 2000



Annual Report 1999



Annual Report 1998



Annual Report 1997



Annual Report 1996

## Vinythai Public Company Limited

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Vinythai Public Company Limited