



# PAP

BEYOND EXPECTATION



Pacific Pipe Public Company Limited



## Vision

Be the quality steel pipes leader.



## Mission

1. Be the company that has the innovative production, distribution and on time delivery as customer requirement and in a competitive price.
2. The company aims to develop personnel and modern technology, innovative management as the result of intention, expertise and team working of personnel at all level.
3. Participate in economic development, society and environment of the country
4. Develop valuable business to sustainable yield to stakeholders.



## Value FAST

Focus on Customer

Achievement  
Orientation

Share for  
Knowledge  
Management

Teamwork



**PACIFIC PIPE**

PACIFIC PIPE PUBLIC COMPANY LIMITED



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Agro  
Industry



Manufacture  
Industry



System  
Industrial

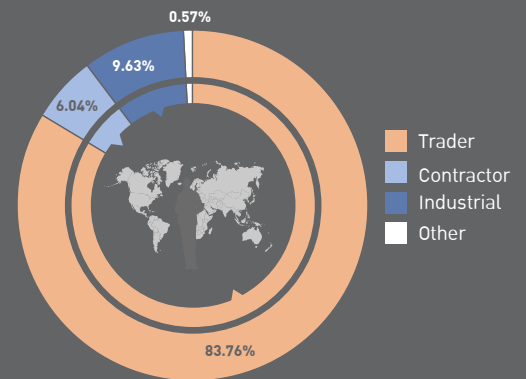


Energy  
Industry

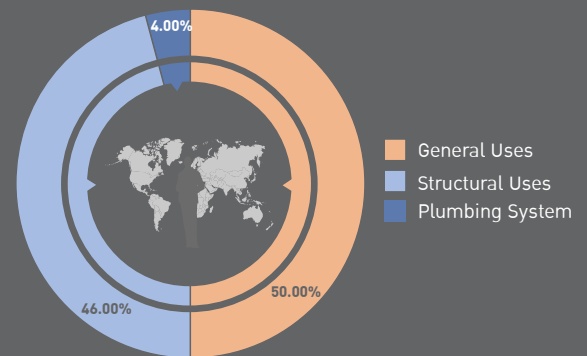
# QUALITY STEEL PIPE

Pacific Pipe Public Company Limited is one of the leading steel pipe manufacturers in Thailand with customers in more than 10 countries around the world. We offers steel pipes, such as round black steel pipes, round galvanized steel pipes, square pipes, rectangular pipes and lip channel steel of various international standards with expertise and experience for over 35 years. Our steel pipe produce through advanced technological facilities, sophisticated equipment and modern machines controlled by skilled engineers and technicians, thus our products have been certified by many reputable institutions around the world.

Selling (Customer Type)



Selling (Products Type)



Construction Industry  
System Industrial  
Manufacture Industry  
Agro Industry  
Energy Industry

# Construction Industry

## Message from Chairman

For overall of global economy in 2014, the economy has recovered from year 2013 especially United States economy which continuously expanded. Also, there was the decline in an unemployment rate. On the other hand, the European Union economy still faced an unemployment problem at a high level. The economy in Asia such as Japan grew slightly deriving from an increase in the value added tax (VAT) while the economy of China was stable. For Thailand, there was the protracted political situation in first half year of 2014 which has begun since the end of the year 2013. This situation had an influence on the private sector investment, while households sector was still lack of confidence in the economy. Although during the half year after the political situation began to unravel and there was the formation of the Government, the government investment on projects was not so obvious. Moreover, the delay in the government disbursement and the amount of disbursement was too small comparing with the target had an impact on the recovery of Thai economy.



Pol.Gen.

A handwritten signature in black ink, which appears to read 'Wichean Potephosree'.

(Wichean Potephosree)  
Chairman

For the steel industry in Thailand in year 2014, the production and sales volumes of steel decreased from 2013 in the same direction. In addition, steel price continuously decreased from quarter 3 which had an impact on the overall operation of the company. In 2014, total sales of company decreased 5.89% and total revenue was at 7,019.95 million baht. Net profit was at 181.08 million baht which was 55.54% drop from previous year.

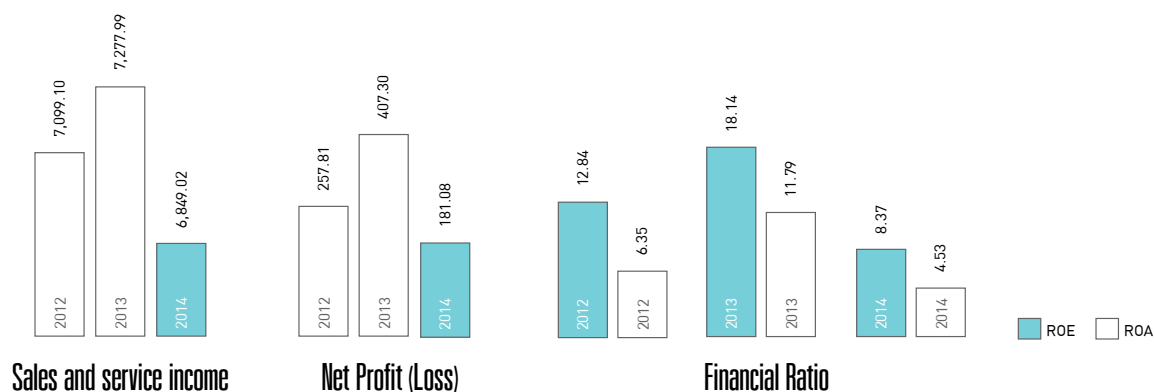
Besides concentrate in strategic management, the Company continues focus on ethics and encourages all employees to perform duties with responsibility for all stakeholders. By focus on the good corporate governance and operate business with social responsibility, the company received an "Very good" CG score from the Corporate Governance Report of Thai Listed Companies (CGR) by Thai Institute of Directors and received a "100 scores" from the evaluation of the quality of the annual general meeting of shareholders by Thai investor Association. Moreover, the Company operates the business with social responsibility and starting from local communities which were employee and community that located around the

Company that appears in corporate social responsibility report.

The trend of world economy in 2015 is different by the economy of each nation. The economy of the United State is constantly recovering from the improvement of labor market and moderate monetary policy; whereas, the countries in Europe and Japan are still dealing with the financial crisis. The economy in Thailand is expected to rebound as there is stimulation from government budget disbursements specifically, the investment budget on infrastructure and mega projects. This is the main factor that causes the steel consumption in the year 2015 to rise as well.

Finally, the company directors would like to thank you to shareholders, business partners and financial institutions for giving strong support as well as our employees for their cooperation with hard work and being a part of our company's success as always. Our company promises to conduct business carefully and strictly follow good governance in order to ensure most benefit to every related parties.

## Financial Highlight




	2012	2013	2014
<b>Financial Position</b>			
Sales and service income	7,099.10	7,277.99	6,849.02
Total Revenue	7,277.72	7,470.80	7,019.95
Operating Profit	401.26	560.38	277.97
Net Profit (Loss)	257.81	407.30	181.08
Total Assests	4,061.27	3,454.87	4,000.96
Total Liabilities	2,053.83	1,209.48	1,838.50
Total Equity	2,007.43	2,245.40	2,162.46
<b>Financial Ratio</b>			
Net Profit on Total Revenues (%)	3.54	5.45	2.58
Return on Equity (%)	12.84	18.14	8.37
Return on Assets (%)	6.35	11.79	4.53
Debt to Equity (Times)	1.02	0.54	0.85
Earning per share (Baht/Share)	0.32	0.55	0.21
Dividend Payout (%)	78.13	72.73	76.19
Book Value Per Share (Baht/Share)	3.04	3.40	3.28
Share and Fully Paid-up Share Capital (Million Shares)	660.00	660.00	660.00

**Note:** Earning per share (Baht/share) and Dividend Payout (%) are calculated from Financial Statement of company only.




## General Information

<b>Company name</b>	: Pacific Pipe Public Company Limited
<b>Logo</b>	: 
<b>Ticker</b>	: PAP
<b>Type of Operation</b>	: Manufacturing and selling steel pipes
<b>Phra Pradang Plant Location</b>	: 298,298/2 Suksawad Rd., Ampher Prasamut Chede, Samutprakarn 10290
<b>Mahachai Plant Location (I)</b>	: 1/112 Samutsakorn Industrial Park, Moo 2, Rama II Road, Tambol Tasai, Ampher Muang, Samutsakorn 74000
<b>Mahachai Plant Location (II)</b>	: 1/97 Samutsakorn Industrial Park, Moo 2, Rama II Road, Tambol Tasai, Ampher Muang, Samutsakorn 74000
<b>Mahachai Plant Location (III)</b>	: 24/31, Moo 2, Tambol Tasai, Ampher Muang, Samutsakorn 74000
<b>Distribution Centre Location (I)</b>	: 158 Moo 6 Tambol Bangbor, Ampher Bangbor, Samutprakarn 10560
<b>Distribution Centre Location (II)</b>	: 50/6 Moo 2 Tambol Namai, Ampher Lad Lum Kaew, Pratumthani 12140
<b>Office Location</b>	: 1168/74 Lumpini Tower Fl.26 Rama IV Rd., Bangkok 10120
<b>Registered Number</b>	: Bor Mor Jor 0107547000206
<b>Telephone (office)</b>	: (66 2) 679 9000
<b>Facsimile (office)</b>	: (66 2) 679 9074
<b>Website</b>	: <a href="http://www.pacificpipe.co.th">www.pacificpipe.co.th</a>
<b>Registered Capital</b>	: Baht 660,000,000
<b>Paid up Capital</b>	: Baht 660,000,000
<b>Type of securities</b>	: Common share
<b>No. of paid up common share</b>	: 660,000,000 shares
<b>Par value</b>	: Baht 1 per share



## Investment in other companies with more than 10% shareholding

<b>Company name</b>	: Tamose Trading Company Limited (subsidiary)
<b>Logo</b>	: 
<b>Ticker</b>	: TMS
<b>Office location</b>	: 1168/68-69 Lumpini Tower, Fl.24, Rama IV Rd., Bangkok 10120
<b>Type of Operation</b>	: Selling steel pipes
<b>Registered Capital</b>	: Baht 1,000,000
<b>Paid up Capital</b>	: Baht 1,000,000
<b>Type of securities</b>	: Common share
<b>No. of paid up common share</b>	: 10,000 shares
<b>Par value</b>	: Baht 100 per share

<b>Company name</b>	: Meesup Transport Company Limited (subsidiary)
<b>Logo</b>	: 
<b>Ticker</b>	: MT
<b>Office location</b>	: 298/2 Suksawad Rd., Amphur Prasamut Chede, Samutprakarn 10290
<b>Type of Operation</b>	: Transportation
<b>Registered Capital</b>	: Baht 14,000,000
<b>Paid up Capital</b>	: Baht 9,200,000
<b>Type of securities</b>	: Common share
<b>No. of paid up common share</b>	: 92,000 shares
<b>Par value</b>	: Baht 100 per share

## Reference

### Registrar

Thailand Securities Depository Company Limited  
62 The Stock Exchange of Thailand Building 4<sup>th</sup>, 6<sup>th</sup>, - 7<sup>th</sup> Floor,  
Ratchada Pisek Road, Klongtoey, Bangkok 10110

### Auditor

Ernst & Young Office Limited  
193/136-137 33<sup>rd</sup> Floor, Lake Rajada Office Complex,  
New Rajadapisek Road, Klongtoey, Bangkok 10110

## The Company's History



1972

Pacific Pipe Public Company Limited was established as Tang Mong Seng factory by the Lekapojpanich family which initially produced and sold toy cars.

1981

Expanded the business into the production of pipe which was pipe furniture and various types of pipes, which this was the start of our success as the leading steel pipe manufacturer in Thailand.

1991

Since the steel pipe sector had proved considerably successful and grown extensively, the Family then decided to switch their focus to solely on this business, and therefore, set up Pacific Pipe Company Limited on September 19<sup>th</sup>, 1991 as a manufacturer and distributor of steel pipes.

2003

To restructure the Company, some of the Family members jointly set up Tang Mong Seng Holding Co., Ltd. In order to hold shares in the Company instead of individual holding. The Company decided to purchase shares of Tamose Trading

Co.,Ltd. (Tamose) from Lekapojpanich family by holding 99.94% of total paid up shares of Tamose. Currently, Tamose is responsible for operating sales and marketing functions in both domestic and international scales on behalf of Pacific Pipe PLC.

## 2004

As of March 17<sup>th</sup>, 2004, the Company was converted to a public company under the name “Pacific Pipe Public Company Limited” with the registered capital of 660 million baht by means of share offering of 16 million shares with the par value of 10 baht per share. The Company conducted Initial Public Offering (IPO) of 15.3 million shares at the offering price of 45 baht per share and issued 700,000 warrants to seven directors.

**The Securities were listed on the Stock Exchange of Thailand on November 8<sup>th</sup>, 2004**

## 2006

The Company took over Meesub Transport Co., Ltd. by purchasing 99.97% of Meesub’s total shares. Meesub Transport Co., Ltd. is currently responsible for operating the logistics function on behalf of Pacific Pipe Public Company Limited.

On April 7<sup>th</sup>, 2006, the Annual General Meeting of the year passed the resolution allowing the Company to split par value of ordinary shares from 10 baht to 5 baht, which resulted to the increase in the number of the Company’s ordinary shares from 66 million shares to 132 million shares.

The construction project of the large size steel pipe factory at the Industrial Park at Samutsakorn province was completed. This plant has the total production capacity of 100,000 tons per year, enables the Company to enlarge the maximum size of our steel pipes from 8 inches to 16 inches.

## 2007

The distribution Center at Lad Lump Kaew district was completed and started operations ever since.

## 2008

As of July 30<sup>th</sup>, 2008, the Extra Ordinary General Shareholder Meeting No.1/2008 passed the resolution allowing the Company to split par value of ordinary share from 5 baht to 1 baht, which resulted to the increase in the number of the Company's ordinary shares from 132 million shares to 660 million shares which the operating completed on August 13<sup>th</sup>, 2008.

As of September 14<sup>th</sup>, 2008, the Board of Directors meeting No.11/2008 passed the resolution about the treasury Stock Program for Financial Management. The amount for the share repurchase should not exceed Baht 21 million. Number of shares repurchased equal 3.18% of total paid-up capital.


## 2009

As of December 9<sup>th</sup>, 2009 the Extra Ordinary General Shareholder Meeting No.1/2009 approved the purchasing land at Samutsakorn Industrial instead of rental land. The land at Samutsakorn is a plant for producing large steel pipes.

## 2010

As of March 8<sup>th</sup>, 2010, the Company has completed in Treasury Stock Program which sales of repurchase share in the total of 1,450,700 shares which purchased in the rate of 0.93 Baht per share and sale in the rate of 1.63 Baht per share.

## 2011

Pacific Pipe gets a standard guarantee by JIS Mark Scheme Certificate of Compliance from JQA. JQA is a Japanese non-profit organization which has a main responsibility to issue a guarantee document for the products which are in line with the Japanese Industrial Standards (JIS) condition. The guarantee product will be allowed to put the symbol  or JIS Mark upon it then the customers will acknowledge that this product can be used correctly and safely with reference to the Japanese industrial standard.





Pacific Pipe Public Company Limited is the first steel manufacturer of Thailand who get the Japanese standard guarantee, JIS Mark Scheme Certificate of Compliance. Pacific Pipe aims for increasing a choice of high quality steel pipe for customers, both of steel pipes for general structural purposes and ordinary piping.

## 2013


At the end of the year 2013, the Company started the capacity expansion project by the construction of factory and warehouse adjacent to the area of Samutsakorn Industrial Park which is called PM3. The capacity will increase around 150,000 tons per year and will be finished in the end of quarter 3 of 2014.

## Nature of Business Operation

### Overall Business

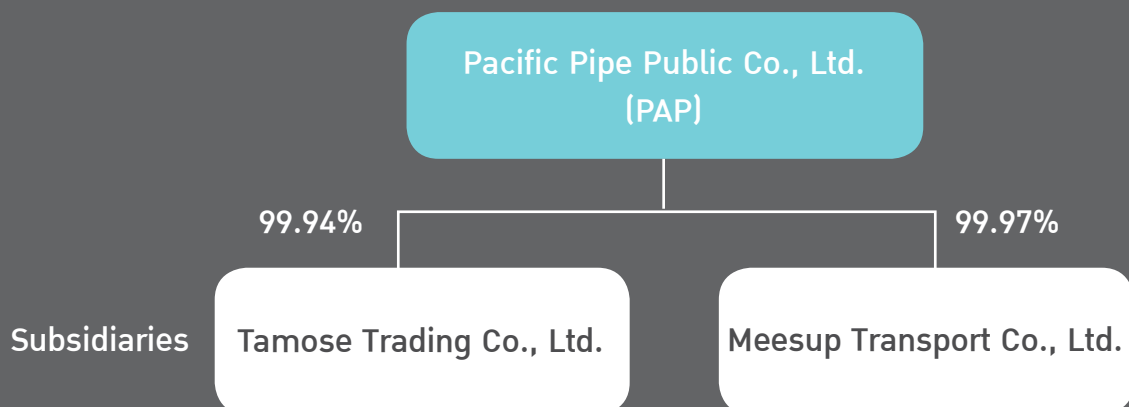
Pacific Pipe Public Company Limited is a manufacturer which the core business of the Company is manufacturing and distributing steel pipes, produced by process of Electric Resistance Welded production system (ERW). Presently, the Company offers more than 5,000 product choices to our customers, which those of our products can be categorized into 2 types, which are (i) black steel pipes and (ii) galvanized steel pipes, and in each type, there are 2 grades, which are either (i) standard grade and (ii) commercial grade. Steel pipes with standard grade are labeled and sold under Pacific Pipe brand “” while steel pipes with commercial grade are labeled and sold under Tamose brand “”.

The Operation between Pacific Pipe and Tamose Trading is well designed to achieve the highest efficiency by having Pacific Pipe operating as steel pipes manufacturer, while Tamose Trading as the marketing arm, being responsible for coordinating with customers thoroughly the sales process of the Company. Marketing functions of Tamose Trading can be categorized as follows:

For standard grade product, Tamose Trading acts as a selling agent that sells the product under the brand Pacific Pipe “” and receives the commission in return.

For commercial grade product, Tamose Trading purchases the product directly from the Company and resell it to external customers under its own brand Tamose “”.

However, since Tamose Trading is one the Company’s subsidiaries, the Company and Tamose Trading then collaborate closely in order to generate the best and most effective production and marketing plans. Tamose Trading will purchase products from the Company only when receiving orders from customers in order to keep Tamose Trading’s working capital usage at the most appropriate level. Moreover, with the good corporation with Meesup Transport, another subsidiary of the Company which takes care of the Company’s delivery function, the Company has continuously maintained the high standard of delivery. The shareholding structures of the subsidiaries are as follows.



## Revenue Structure

	2012		2013		2014	
	(MB.)	(%)	(MB.)	(%)	(MB.)	(%)
<b>Sales and service income</b>						
Domestic	6,657.54	91.48	7,043.91	94.29	6,632.78	94.48
International	378.79	5.20	162.46	2.17	124.38	1.77
Service income	62.77	0.86	71.62	0.96	91.86	1.31
<b>Total Sales and service income</b>	<b>7,099.10</b>	<b>97.55</b>	<b>7,277.99</b>	<b>97.42</b>	<b>6,849.02</b>	<b>97.57</b>
Net foreign exchange gain	18.96	0.26	-	-	0.44	-
Other revenues	159.66	2.19	192.81	2.58	170.49	2.43
<b>Total Revenue</b>	<b>7,277.72</b>	<b>100.00</b>	<b>7,470.80</b>	<b>100.00</b>	<b>7,019.95</b>	<b>100.00</b>

Note: Other revenues include scrap sales revenue, galvanizing revenue, interest income, etc.

## Business Characteristics

### Products

Our steel pipes are manufactured by the process of Electric Resistance Welded production system (ERW). The company offers both of made to order and finished products which can divide to 2 categories as;

#### 1. Steel pipes for general work

General Steel can be utilized in a variety of applications such as utility work, water transmission work, fire extinguishing work, and the trend of using steel pipe for other purposes such as implemented as an aquifer pipes or hose for fire water system in lubricate for high building compensation using PVC because there is strength and can accommodate more than pressure hose commonly PVC up to 5 times and can be adapted more convenient than pipes PVC. In addition, steel pipes can also be exploited in the agriculture, fence, doors and general decoration such as banister, fence houses and blocking roads, structure of bill board sign etc.

#### 2. Steel pipe for construction work

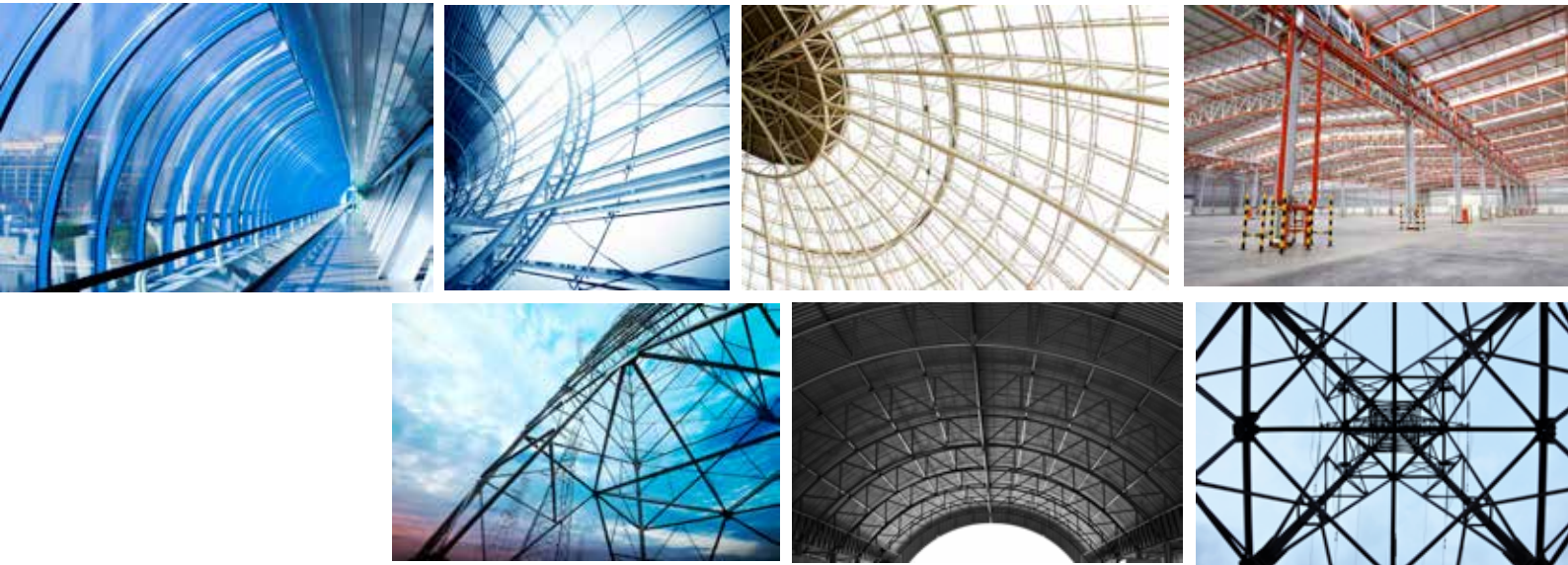
Steel for structural steel pipe is large an alternative to using wood, the iron rail, steel curtain, steel structure of the H & I format description (H, I Beam), as well as the concrete in structure such as foundation pile, scaffold, structural roof or roof batten and can be adapted to the steel roof structure. Because of the strength of steel pipes, durable lightweight easy to connect, less damaged during transport. This makes the construction quality. In the meantime, we can save time and money which compared to the use of wood and concrete.

### Example of steel pipes for general work





## Example of steel pipes for construction work



In addition, the use of steel also has advantages of steel categories. The iron curtain, Steel Guide, Steel structure of the image description or H I (H, I Beam) because steel is lightweight and has a symmetry which can contribute to weight all directions. As a result, the structure is made from steel pipes and lower costs. Current use of formability is accepted and used by engineers in construction increased continuously especially for large structure that resembles the hollow or buildings, with most area, minimum number of pillar

For example the formability of use to a structure both in and abroad and from the Government and the private sector such as transport station, airport, office buildings including official residence, the building's dome shape such sport stadium, warehouse and garden vegetables, etc.

### The shape and size of company's steel pipes



**Round pipe**

Nominal dimension  $\frac{1}{2}$  inch (15 mm.) to 16 inches (400 mm.)



**Square pipe**

Side length 12 x 12 mm. to 300 x 300 mm.



**Rectangular pipe**

Side length 19 x 38 mm. to 200 x 400 mm.



**Lip Channel Steel**

Side length 60 x 30 x 10 mm. to 200 x 75 x 25 mm.


The Maximum thickness that the Company is able to product is at 12 mm. Moreover, steel pipes nominal dimension 10-16 inches which produce under ERW system (Electric Resistance - Welded Pipes) in Thailand are considered as special size products.

### The type of steel manufacture

Our products can be categorized into 2 types, which are black steel pipes and galvanized steel pipes

There are 2 grades of both types, which are either;

**Standard grade** The standard grade is labeled and sold under the brand “  ” (Pacific Pipe) which is certified quality by international standards that are commonly accepted with both domestic and overseas. The company’s products have through the production process and ensure the product quality standards that define both of raw material, size, thickness, and other properties such as receiving pressure. Most standard grade is used for construction or the system which is necessary to use high quality products and is certified on both domestic and overseas for benefit of security mainly.

**Commercial grade** The Commercial grade is labeled and sold under the brand “  ” (Tamose). The production process of commercial grade is as same as producing standard grade but different in quality raw materials and does not pass test in the process as defined in various standards. Most commercial grade is used for general used such as general plumbing or banister and fence houses etc.

Moreover, to select the shape of steel pipes is depending on the needs of customers such as round pipes looks beautiful and can bend the curve better than rectangular steel pipes so round pipes are popular to use as the building's dome shape or interior design. While rectangular steel pipes are sturdy and convenient to weld so rectangular steel pipes are suitable for the general structure and system for high buildings.

## Certificates of Pacific Pipe Products

The Company's products are manufactured by reliable machines with modern technology and are inspected thoroughly the entire production process. The inspection is strictly controlled by our proficient technicians and skillful workers in order to assure that all the products meet the expected quality standard and are worth the customers' confidence. The Company also issues product quality warranty to every time when purchasing standard grade steel pipe.

The Company has quality standards from widely accepted domestic and international organizations as described below.

- DIN EN ISO 9002 : 1994 from an institution of the TUV NORD CERT Certification Body of Rheinsch - Westfalischer TUV e.V, The Federal Republic of German
- DIN EN ISO 9001 : 2000 from an institution of the TUV NORD CERT Certification Body of RWTUV Anlagentechnik GmbH, The Federal Republic of German
- DIN EN ISO 9001 : 2008 from an institution of the TUV NORD CERT GmbH, The Federal Republic of German

The Company is the first steel pipes producer, who awarded ISO 9001 : 2008 which be able to guaranty our quality to customer satisfaction and the Company's sustainable growth. By maintaining superior quality, the Company has successfully managed to have its products been consistently granted quality standard products from widely accepted domestic and international organizations as described below.

- Thai Industrial Standard Certification (TIS) from the Thai Industrial Standard Institute of the Ministry of Industry
- Productivity Standard: MATAALLIC SPRINKLER PIPE from an institute of Underwriters Laboratories Inc®, USA. In 2007
- Industry standard quality assurance (JIS): Japan Industry Standard from Japan Quality Assurance Organization, Japan

In addition, the Company is the first steel pipes producer, whose product is awarded TIS of entire group of steel pipe from the Ministry of Industry. This enables the Company stand firmly in the leading position of the standard grade steel pipe market in Thailand. Moreover, our reputation of offering premium product has been swelled to overseas markets. Presently Asia, Middle East and Australia regions are our main export destinations. But the Company also plans to expand its coverage to all over the world. This will help not only mounting the revenue, but also creating opportunities to cooperate with clients in order to reap the technology advantages as well as new standards development.

### Products and Services

At the present, the Company has 4 plants which have the total installed capacity of 450,000 tons per annum, 2 distribution centers and 1 sale office. The details are as follows;

Plant / Distribution	Location	Details	Area
1. Phra pradang plant	298,298/2 Soi Krupcharoen, Suksawat Road, Amphur Prasamut Chede, Samutprakarn Province	Manufacturing steel pipe.	24 rais 1 ngan 69 sq.wa. 3 buildings
2. Mahachai plant (I)	1/112 Samutsakorn Industrial Park, Moo 2, Rama II Road, Amphur Muang, Samutsakorn Province	Galvanizing steel pipe.	8 rais 2 ngan 5 sq. wa. 1 building
3. Mahachai plant (II)	1/97 Samutsakorn Industrial Park, Moo 2, Rama II Road, Tambol Tasai, Amphur Muang, Samutsakorn Province	Manufacturing large-size steel pipe.	20 rais 3 ngan 98 sq.wa. 1 building
4. Mahachai plant (III)	24/31 Moo 2, Tambol Tasai, Amphur Muang, Samutsakorn Province	Manufacturing medium -size steel pipe.	44 rais 1 ngan. 3 building
5. Distribution Center at Bangna-Trad km.29	158 Moo 6 Tambol Bangbor, Amphur Bangbor, Samutprakarn Province	Storage for sales.	22 rais 22 sq.wa. 2 building
6. Distribution Center at Lad lum Kaew	50/6 Moo2 Tambol Namai, Amphur Lad lum Kaew, Pratumthani Province	Storage for sales.	25 rais 2 ngan 31 sq.wa. 2 building
7. Sales Department at Lumpini	1168/74 26 <sup>th</sup> , Lumpini Tower, Rama IV Road, Bangkok, Thailand 10120	Sales office.	1,772.17 sq.m.



### Production policy and production capability

The Company offers both made to order and finished products. Its placing order policy for domestic customers is as follows:

1) In case that the finished products, the Company will immediately deliver the products to customers once receiving their orders.

2) In case that there is raw materials available in inventory for manufacturing such products, the Company will deliver the product to customers within 20 days after receiving orders.

3) In case that there is no raw materials available in inventory for manufacturing such products, the Company will deliver the product to domestic customers within 45 days after receiving orders.

4) For oversea customers, the Company will deliver the product within 60-75 days after receiving orders, depending on the order period of customers.

The management, production team and marketing team usually work closely to effectively plan for raw material and finished product inventories. This efficient management enables the Company to maintain its effectiveness in product delivery and to immediately and actively respond to changing demands, division work closely and have regular meetings with management to plan for raw materials procurement and manufacturing ready for sales products. Generally, when the production utilization reaches to approximately 75%, the Company will consider an expansion in production capacity. The decision will bid on the analysis on steel pipe consumption trend and the company's directions and plans. In additional, in order to maintain machine conditions, the Company has scheduled to have every major machine check up once a week, which each takes a few hours. The company's installed capabilities of black steel pipes and galvanized steel pipes are 400,000 tons per annum and 50,000 tons per annum, respectively.

In 2014, the actual production capabilities were approximately 264,137 tons for black steel pipes and 18,526 tons for galvanized steel pipes. The Company's major raw material of producing steel pipes is hot rolled coil, which accounts for approximately 98.26% of total raw materials purchased.

According to the Company's policy, which highly emphasizes on product quality and prompt delivery, raw materials quality and trusted suppliers are the most crucial factors when purchasing raw materials. The Company also regularly evaluates the suppliers' performance. At present, 70%-80% of consumed HRC is from domestic source namely Sahaviriya Steel Industries Plc. and domestic retail traders.

### **Inventory Management Policy**

The Company has the policy in the inventory management, both raw material and finished goods, as a flexible manner. We manage our inventory based on the current economy situation. Our experienced management will closely monitor, analyze, and estimate the future demand in order to adjust the optimum quantity of inventory to support the market.

### **Business Goals**

The Company aims to secure the leading position in the domestic market through its high product quality, vast product variety and superior delivery. To achieve such objective, the Company has emphasized aggressively on the continuous development of product quality and the promotion of "Pacific Pipe" brand in order to be internationally recognized and accepted as a world class steel pipe manufacturer. In addition, the Company has increasingly focused on large steel pipes for contractions. Also, the Company is determined to expand its customer base to retail customers throughout the country by improving our distributing network through establishing more distribution centers in several strategic areas.

## Risk Factors

### 1. The Fluctuation of Raw Material and Product Prices Risk

The Company's main raw material is hot-rolled coil which varies in relation to the global steel price. This risk is the most important because the Company may encounter some risk which affect from the movement of the hot-rolled coil price. The movement impacts the Company in both directions, positive and negative. Moreover, the Company may encounter the loss from diminutive in value of raw materials if the price decreases dramatically. The fluctuation of raw material and price products arose from external risk and beyond the control of the Company. The Company has set a policies (1) closely monitoring world steel price and procuring raw material with more prudence (2) controlling inventory at the appropriate level.

### 2. The Exchange Rate Risk

Since the Company imports some of the raw materials from oversea and exports its products to overseas customers, the Company may encounter the risk from the exchange rate volatility. However, since most of the import and export are set in the US dollars and most of the Company's imported raw materials are used to manufacture products for exporting, the exchange rate risk is then prevented through the natural hedge. Moreover, the company also uses financial instruments such as Forward and Option to lessen risks. In order to mitigate the risk of exchange rates, the company makes use of Natural Hedge method to purchase raw materials and sell products based on the same currency.

### 3. The risk of insufficient cash flow towards the expansion of the business.

Since the Company has made an investment to build in construction of new factory at Mahachai which the investment funds came from a long term loan of the financial institution and cash flows of the company. The company managed to create the cash flow report to monitor the amount of the credit limit and actual credit to ensure that the company has adequate cash flows for the business expansion.

#### 4. The risk from natural disasters

The company is aware of the impacts of risk occurred a variety of natural disasters. The company has conducted Business Continuous Planning : BCP and arranged regularly practices to be well-prepared in case of encountering the disasters.

#### 5. Risk related to the influence of major shareholder

Tang Mong Seng Holding Company Limited and its founders held 73.85% stakes in the Company. This enables Tang Mong Seng to gain almost absolute control over the resolution of shareholders' meeting in the matter of director appointment or other issues, which require majority vote from shareholders' meeting, but except for the issues that is required by laws or related rules to have minimum of 75% vote.

#### 6. The risk of having a less raw material manufacturer in domestic and measures to counter the trade from the Government.

The Government has executes Anti-Dumping Duty and Safe Guard measure in hot rolled coils, which are the main raw material in production. Also there are only few hot rolled coil manufacture in domestic These issues may cause a risk in insufficient of raw materials. The Company has been concerned about the impacts of the risks, and manages to plan ahead for the produce, purchase raw materials in advance, stock inventory in appropriate level and seeking for new suppliers from oversea to reduce such risks.

#### 7. The Interest rate Risk

Due to the economic uncertainty, the Company may encounter risk from the interest rate volatility which impacts both positive and negative to the Company. However, the Company expects such risk to be insignificant as all the Company's loans are short term.

The company's long-term liability with a floating interest rate (MLR) is considered as less when comparing to the short-term liabilities. Most of liability is short term debt which is mainly derived from the purchase of raw materials which concern constant interest rate. Consequently, the risk of liability is not so high.



## 8. Risk of economic condition in domestic and overseas

To reduce the risk of economic, the Company focuses on improving the quality and variety of goods; the measures to reduce the risk were (1) retain existing customers that emphasize using quality products. (2) Breaking a variety of customer groups and can expand production to meet a variety of needs from customers. This is an advantage if compared with the production company that has a specific item group. From these reason shows that the company has the flexibility of operation in order to accommodate changes and respond to the needs of the market quickly. (3) Increasing production efficiency to decrease cost of production. (4) Stressing customer service by prompt delivery

## 9. Thai's Politics uncertainty

Thai's politic uncertainty has directly impacted investments in country because it affects the investor confidence. If the situation is uncertainty, the investors will delay or postpone the projects. On the other hand, if the situation is stable, the investment projects will initiate rapidly from not only the public but also the government.

## 10. Risk Related to Credit

Trade receivables are money owed to the Company by customers who buy merchandises with a condition to make payment within the agreed period, so the Company may take risks from payment failures or late payment. To mitigate the risks, the Company has set credit lines based on purchasing demand and payment ability of customers. The credit lines require written approval of authorized executives. In addition, the company has provided accounts receivable insurance to minimize the impact that may arise from the customers who are unable to pay the debt.

## Connected Transaction

### 1. Rental Land of Distribution Center at Bangna - Trad km. 29

In year 2014, the Board of Director's meeting no. 7/2014 as of 11<sup>st</sup> November 2014 passed the resolution to renewal rental contract at Bangna-Trad for 11 years with the area of 22 rais 22 square wa. which is a distribution center at the present. The landowners are Mr.Prayoon Lekapojpanich and Mr.Vichai Lekapojpanich. They are brothers. In order that the rental rate will be increase 10% every 3 years, the details are as follows;

Rental rate year 1-3	2,208,000 Baht / year
Rental rate year 4-6	2,428,800 Baht / year
Rental rate year 7-9	2,671,680 Baht / year
Rental rate year 10-11	2,938,848 Baht / year

The rental rate is considered by the Audit Committee and The Board of Director, respectively. Regard to this agenda, the directors who have the conflict of interests (Executive Directors who is in the group of the Lekapojpanich) did not attend and their votes were record as abstentions. The rental rate method is on page 26

#### Rental Land of Bangna - Trad Km.29 is summarized as follow:

Parties Involved	Relationship	Rental period	Rental rate
<u>Lessee</u> Pacific Pipe PLC. (PAP)	• Mr.Prayoon Lekapojpanich and together with his related person held to 4.77% stake of the Company.	11 Years since Sep. 1 <sup>st</sup> 2014 - Aug. 31 <sup>st</sup> 2025	2,208,000 Baht
<u>Lessor</u> Mr.Prayoon Lekapojpanich and Mr.Vichai Lekapojpanich	• Mr.Vichai Lekapojpanich and together with his related person held to 11.61% stake of the Company. • They are brother.		

## 2. Rental Land of Distribution Center at Lad Lum Kaew

The Board of directors' meeting no. 3/2005 dated on March 16<sup>th</sup>, 2005 passed the resolution allowing the Company rented the land at Bang Bua Tong - Supanburi road (highway number 340, between km.32- km.33), Tambol Namai, Amphur Lad Lum Kaew, Pratumthani Province from a group of person led by Mr.Prayoon Lekapojpanich (The landowner are Mr.Prayoon Lekapojpanich and Mr.Somchai Lekapojpanich) which constructed the distribution center in the area of 25 rais 2 ngan 31 square wah, the rental rate is active when the construction is started and adjust every 3 years. In May 2007, the Company started to construct the distribution center; the rental rate was calculated from May 2007 onwards.

### Rental rate summary since 2005 - Present

Since 1<sup>st</sup> July, 2005 - 30<sup>th</sup> June, 2008, rental rate was 1,500,000 Baht per year.

Since 1<sup>st</sup> July, 2008 - 30<sup>th</sup> June, 2011, rental rate was 1,650,000 Baht per year.

Since 1<sup>st</sup> July, 2011 - 30<sup>th</sup> June, 2014, rental rate was 2,000,000 Baht per year.

Since 1<sup>st</sup> July, 2011 - 30<sup>th</sup> June, 2014, rental rate is 2,400,000 Baht per year.

The rental land rate is considered by the Audit Committee and The Board of Director, respectively. Regard to this agenda, the conflict of interests (Executive Director in the group of the Lekapojpanich) did not attend and their votes were record as abstentions. The rental rate method is on page 26

### Rental Land of Lad Lum Kaew is summarized as follow:

Parties Involved	Relationship	Rental period	Rental rate
<u>Lessee</u> Pacific Pipe PLC. (PAP)	<ul style="list-style-type: none"> <li>Mr.Prayoon Lekapojpanich and together with his related person held to 4.77% stake of the Company.</li> </ul>	10 Years since Sep. 1 <sup>st</sup> 2004 - Aug. 31 <sup>st</sup> 2014	2,400,000 Baht
<u>Lessor</u> Mr.Prayoon Lekapojpanich and Mr.Somchai Lekapojpanich	<ul style="list-style-type: none"> <li>Mr.Somchai Lekapojpanich and together with his related person held to 4.24% stake of the Company.</li> <li>Mr.Somchai Lekapojpanich is the Vice Chairman and Chief Executive Officer</li> <li>They are brother.</li> </ul>		

### A process for changing a calculation method for land rental fee

Due to the Board of Director no.9/2007 dated on 12<sup>nd</sup> Sep, 2007 passed the resolution allowing the Company to change the calculation method for rental fee of three centers, which are the distribution center at Bangna Trad, the distribution center at Lad Lum Kaew, and the large steel pipe plant at Samutsakorn Industrial Estate. This decision was due to the request from Mr.Vichai Lekapojpanich, the landlord. Mr.Vichai lekapojpanich had filed the letter to the Company calling for setting the calculation method for rental fee using at Samutsakorn Industrial Estate. Withal, it must be noted that Mr.Somchai lekapojpanich and Mr.Prayoon Lekapojpanich did not attend this meeting and their votes were recorded as abstentions.

After thorough consideration, the Board of Directors has agreed to change a calculation method for land rental fee with reasons as follows;

1. To appraise the fair rental basing on the appropriately current market rate, rather on the initial fair rate.

2. To make the yield (of a 3 - year government bond from Thai BMA), used in the calculation of the fair rental rate, which vary each bank, of either Thai Military Bank or other commercial banks.

3. For the Board of Directors to receive valuable and objective opinions about rental rates proposed from three renters from independent appraisals, and to utilize such information to set up a fair and appropriate rental rate that will provide the greatest benefit to the Company.

4. For the Board of Directors to have the most reliable information to best fairly set up the rental rate for the greatest good of the Company.

5. To standardize the criteria and method for calculating rental fee. This is not only for the greatest good of the Company, but also for three land renters, who are major shareholders of the Company, to receive the best and the most reasonable benefits. The Board of Directors has agreed on the calculation method for rental fee. The details are as follows;

- 5.1 Timing the fair value of such land, which is appraised by two independent appraisals who are qualified according to the regulations of the Stock Exchange Commission of Thailand, with the three-year government bond's yield on the due date of each renewal interval. (Information about government bond's yield must be from a Thai BMA.)

5.2 Evaluating the rental rate by using the current market rate, which is appraised by two independent appraisals who are qualified according to the regulations of the Stock Exchange Commission of Thailand.

5.3 Item 1 and item 2 are used as criteria for the board of directors to renew the rental rate.

### 3. Lease office space on 24<sup>th</sup> floor of Lumpini Tower by Tamose Trading Co., Ltd (subsidiary)

At the meeting of the Company's Board of Directors No.6/2007 on June 20<sup>th</sup>, 2007, it resolved Tamose Trading Co., Ltd to lease condominium units address 1168/68-69, 24<sup>th</sup> floor, Lumpini Tower Building, Rama 4 Road, Tungmahamek, Sathorn, Bangkok for the office as space of the unit address 1168/74, 26<sup>th</sup> floor, Lumpini Tower Building where Tamose rented from Pacific Pipe PCL. ("PAP") as the office is not sufficient for business expansion. Mr. Prayoon Lekapojpanich and Mr.Somchai Lekapojpanich were absent and abstain from voting in this agenda as both are directors of Tang Mong Seng Holding Co., Ltd., which is the major shareholder of PAP Both are then considered as connected persons and persons with vested interest as prescribed by the Stock Exchange of Thailand.

As of 31<sup>st</sup> July, 2013 was due to adjust the rental fee office units, address 1168/68-69, 24<sup>th</sup> floor, Lumpini Tower Building, Rama 4 Road, Tungmahamek, Sathorn, Bangkok. The Board of Directors' meeting no. 4/2013 dated on June 25<sup>th</sup>, 2013 approved the rental rate of 380 baht per square meter per month for a period of 3 years since August 1<sup>st</sup>, 2013 to July 31<sup>st</sup>, 2016.

The rental transaction could be summarized as follows:

Parties Involved	Relationship	Rental period	Rental rate
<u>Lessee</u> Tamose Trading Company Limited (TMS)	• Tang Mong Seng Holding Company Limited holds 39.05% stake of PAP's paid-up capital.	3 Years since Aug. 1 <sup>st</sup> , 2013 - Jul. 31 <sup>st</sup> , 2016	3,157,800 Baht
<u>Lessor</u> Tang Mong Seng Holding Company Limited. (MH)	• Mr.Somchai Lekapojpanich is a director of Pacific Pipe Pcl. And Tang Mong Seng Holding Co., Ltd.		

#### 4. Borrowing between Pacific Pipe Public Company Limited and Tang Mong Seng Holding Co., Ltd.

The meeting of the Board of Directors No.4/2013 on August 25<sup>th</sup>, 2013 approved the borrowing money in the total of 100 Million Baht from Tang Mong Seng Holding Co., Ltd. with 5 year term starting from July 2<sup>nd</sup>, 2013 to July 1<sup>st</sup>, 2018 with the condition to paid interest monthly, and the principal will be paid when maturity of the loan agreement is due. By interest rate of MLR-1.5% (MLR rate of Kasikorn Bank Public Company Limited) which, on the date that the interest rate of MLR was 7%.

Transaction date	July 2 <sup>nd</sup> , 2013
Borrowing amount	100,000,000 Baht
Interest rate	MLR (KBANK) -1.5%
Condition	Payment is made in cash by paying interest monthly, and the principal will be paid when maturity of the loan agreement is due.
Paid up interest	5,282,054.78 Baht (As of December 31 <sup>st</sup> , 2014)
End date of contract	July 1 <sup>st</sup> , 2018

#### Potentials of future connected transactions

The related transactions possibly incurred in the future are subjected to 2 categories, which include normal business transaction and extraordinary transaction. The procedures of transaction approval of any related transactions are as follow:

##### 1. Normal business transaction

Normal business transaction includes selling and purchasing transaction, which occurs in continuous basis. Therefore, the company has established guideline and procedures when dealing with such transactions, for instance, using market price or fair price as a benchmark. This guideline was proposed and approved by the Company's audit committee. Moreover, an audit committee also conducts quarterly reviews to ensure that the Company conforms to the guideline.

##### 2. Extraordinary transaction

When dealing with any extraordinary transactions, the Company will request opinion in relation to reasonableness of the transaction from an audit committee. If the expertise in certain areas is necessary, the Company will seek independent opinion from external specialists such as auditor, land appraisal and legal advisor. The opinion of audit committee and/or other expertise will be incorporated in decision making process of the Board of Directors and/or shareholders depending upon the related rule and regulatory



## Directors and Management Team



Pol. Gen.  
Wichean Potephosree  
Chairman

<b>Age</b>	61 years
<b>Appointed Date:</b>	[1 <sup>st</sup> ] January 1 <sup>st</sup> , 2009 to August 11 <sup>st</sup> , 2010 [2 <sup>nd</sup> ] May 14 <sup>th</sup> , 2013
<b>Family Relationship among Management:</b>	-None-
<b>Education</b>	<ul style="list-style-type: none"> <li>• Master of Public Administration, National Institute of Development Administration (Nida)</li> <li>• Master of Business Administration, Kasetsart University</li> <li>• Master of Arts (Economic Law), Chulalongkorn University</li> </ul>
<b>Training from Thai Institute of Directors Association (IOD)</b>	<ul style="list-style-type: none"> <li>• 2004 Certificate, Director Certification, Program (DCP 46/2004)</li> <li>• 2004 Certificate, Audit Committee Program (ACP 2/2004)</li> <li>• 2014 Certificate, Role of the Chairman (RCP 33/2014)</li> <li>• 2014 Financial Statements for Directors (FSD 23/2014)</li> </ul>
<b>Work Experience in the past 5 years</b>	<ul style="list-style-type: none"> <li>• 2013 Director, Thai Airway International Public Company Limited</li> <li>• 2012 - 2013 Permanent Secretary, Ministry of Transport</li> <li>• 2011 - 2013 Chairman, Expressway Authority of Thailand</li> <li>• 2011 - 2012 Secretary, Office of The national Security Council</li> <li>• 2010 - 2011 Commissioner General</li> <li>• 2009 - 2010 Independent Director, Pacific Pipe Public Company Limited</li> </ul>
<b>Current Director Position in Other Organization</b>	
<u>In listed companies:</u>	<ul style="list-style-type: none"> <li>• 2014 - Present Director, Vanachai Group Public Company Limited</li> <li>• 2014 - Present Director, Asian Insulators Public Company Limited</li> </ul>
<u>In non-listed companies:</u>	-None-
<u>In listed companies or other organizations that may cause any conflict of interest to PAP:</u>	-None-
<b>Criminal offence record during the past 10 years</b>	<ul style="list-style-type: none"> <li>• Never been sentenced by a judgment in criminal offence</li> <li>• Never been sentenced by a judgment to be bankrupt or insolvent</li> <li>• Never been sentenced by a judgment as management or authorized person in the bankrupt or insolvent company</li> </ul>



Mr. Somchai Lekapojpanich  
Vice Chairman and Chief  
Executive Officer

<b>Age</b>	55 years
<b>Appointed Date:</b>	March 17 <sup>th</sup> , 2004
<b>Family Relationship among Management:</b>	-None-
<b>Education</b>	<ul style="list-style-type: none"> <li>• Master of Business Administration, Chulalongkorn University</li> <li>• Bachelor of Mechanical Engineer, King Mongkut's Institute of Technology North Bangkok</li> </ul>
<b>Training from Thai Institute of Directors Association (IOD)</b>	<ul style="list-style-type: none"> <li>• 2004 Certificate, Director Accreditation Program (DAP 13/2004)</li> <li>• 2009 Certificate, Role of the Chairman Program (RCP 21/2009)</li> </ul>
<b>Work Experience in the past 5 years</b>	<ul style="list-style-type: none"> <li>• 2008 - 2009 President, Metal Tube and Cold - Forming Steel Association</li> </ul>
<b>Current Director Position in Other Organization</b>	
<u>In listed companies:</u>	-None-
<u>In non-listed companies:</u>	<ul style="list-style-type: none"> <li>• 1999 - Present Director, Tamose Trading Company Limited (Subsidiary)</li> <li>• 1996 - Present Director, Meesup Transport Company Limited (Subsidiary)</li> </ul>
<u>In listed companies or other organizations that may cause any conflict of interest to PAP:</u>	-None-
<b>Criminal offence record during the past 10 years</b>	<ul style="list-style-type: none"> <li>• Never been sentenced by a judgment in criminal offence</li> <li>• Never been sentenced by a judgment to be bankrupt or insolvent</li> <li>• Never been sentenced by a judgment as management or authorized person in the bankrupt or insolvent company</li> </ul>



**Dr. Vicharn Aramvareekul**  
Independent Director  
and Chairman of Audit  
Committee

<b>Age</b>	66 years
<b>Appointed Date:</b>	April 24 <sup>th</sup> , 2014
<b>Family Relationship among Management:</b>	-None-
<b>Education</b>	<ul style="list-style-type: none"> <li>• Doctor of Business Administration, California Coast University, USA</li> <li>• Master of Business Administration, Chulalongkorn University</li> <li>• Bachelor of Business Administration, Sukhothai Thammathirat Open University</li> </ul>
<b>Training from Thai Institute of Directors Association (IOD)</b>	<ul style="list-style-type: none"> <li>• 2013 Certificate, the Director Diploma Award (Director Diploma Examination No.37/2013)</li> <li>• 2013 Certificate, Director Certification Program (DCP 107/2013)</li> </ul>
<b>Work Experience in the past 5 years</b>	<ul style="list-style-type: none"> <li>• 2010 - Present Chairman - Advisory Board, Daika (Thai) Incorporation Limited</li> <li>• 2009 Marketing Manager, Well tech Healthcare Company Limited</li> </ul>
<b>Current Director Position in Other Organization</b>	
<u>In listed companies:</u>	<ul style="list-style-type: none"> <li>• 2013 - Present Director and Chairman of Nomination and Remuneration Committee, CK Power Public Company Limited</li> </ul>
<u>In non-listed companies:</u>	-None-
<u>In listed companies or other organizations that may cause any conflict of interest to PAP:</u>	-None-
<b>Criminal offence record during the past 10 years</b>	<ul style="list-style-type: none"> <li>• Never been sentenced by a judgment in criminal offence</li> <li>• Never been sentenced by a judgment to be bankrupt or insolvent</li> <li>• Never been sentenced by a judgment as management or authorized person in the bankrupt or insolvent company</li> </ul>



**Dr. Somchai Hanhiran**  
Independent Director,  
Director of Audit Committee  
and Chairman of  
Remuneration Nomination  
and Corporate Committee

<b>Age</b>	57 years
<b>Appointed Date:</b>	January 1 <sup>st</sup> , 2009
<b>Family Relationship among Management:</b>	-None-
<b>Education</b>	<ul style="list-style-type: none"> <li>• Doctor of Philosophy of Economics, Concordia University, Canada</li> <li>• Master of Art (Economics), Queen's University, Canada</li> <li>• Master of Economics Development, National Institute of Development Administration (NIDA)</li> <li>• Bachelor of Economics, Thammasat University</li> </ul>
<b>Training from Thai Institute of Directors Association (IOD)</b>	<ul style="list-style-type: none"> <li>• 2009 Certificate, Director Accreditation Program (DAP 79/2009)</li> </ul>
<b>Other Trainings</b>	<ul style="list-style-type: none"> <li>• Senior Executive, Office of the Civil Service Commission</li> <li>• National Defence College</li> </ul>
<b>Work Experience in the past 5 years</b>	<ul style="list-style-type: none"> <li>• 2014 - Present Deputy Permanent Secretary, Office of Industrial Economics</li> <li>• 2013 - 2014 Director-General, Office of Industrial Economics</li> <li>• 2010 - Present Inspector, Ministry of Industry Thailand</li> <li>• 2009 - 2010 Deputy Director, General Office of Industrial Economics</li> </ul>
<b>Current Director Position in Other Organization</b>	
<u>In listed companies:</u>	-None-
<u>In non-listed companies:</u>	-None-
<u>In listed companies or other organizations that may cause any conflict of interest to PAP:</u>	-None-
<b>Criminal offence record during the past 10 years</b>	<ul style="list-style-type: none"> <li>• Never been sentenced by a judgment in criminal offence</li> <li>• Never been sentenced by a judgment to be bankrupt or insolvent</li> <li>• Never been sentenced by a judgment as management or authorized person in the bankrupt or insolvent company</li> </ul>



**Mr. Somkiat Jitvutthichod**  
Director, Chairman of Risk  
management Committee and  
Director of Remuneration  
Nomination and Corporate  
Committee

<b>Age</b>	57 years
<b>Appointed Date:</b>	March 17 <sup>th</sup> , 2004
<b>Family Relationship among Management:</b>	-None-
<b>Education</b>	<ul style="list-style-type: none"> <li>• Bachelor of Business Administration (Accounting), Ramkhamhaeng University</li> <li>• Bachelor of Law, Thammasat University</li> </ul>
<b>Training from Thai Institute of Directors Association (IOD)</b>	<ul style="list-style-type: none"> <li>• 2004 Certificate, Director Accreditation Program (DAP 11/2004)</li> <li>• 2004 Certificate, Audit Committee Program (ACP 2/2004)</li> <li>• 2005 Certificate, Director Certification Program (DCP 53/2005)</li> <li>• 2012 Certificate, Chartered Director Class (CDC 6/2012)</li> </ul>
<b>Other Trainings</b>	<ul style="list-style-type: none"> <li>• The Professional of Advisor, The Institute of Social and Economic Policy (ISEP)</li> <li>• Mini MBA in Marketing, University of the Thai Chamber of Commerce</li> <li>• Management Problem Solving and Decision Making Program from Kepner - Tregoe International Princeton, New jersey, U.S.A.</li> </ul>
<b>Work Experience in the past 5 years</b>	<ul style="list-style-type: none"> <li>• 2009 - 2012 Director of Compliance, the Thai Credit Retail Bank and Credit Review - Department Public Company Limited</li> <li>• 2004 - Mar. 2014 Chairman of Audit Committee, Pacific Pipe Public Company Limited</li> </ul>
<b>Current Director Position in Other Organization</b>	
<u>In listed companies:</u>	<ul style="list-style-type: none"> <li>• 2007 - Present Independent Director and Chairman of Audit Committee, Peerapat Technology Public Company Limited</li> </ul>
<u>In non-listed companies:</u>	-None-
<u>In listed companies or other organizations that may cause any conflict of interest to PAP:</u>	-None-
<b>Criminal offence record during the past 10 years</b>	<ul style="list-style-type: none"> <li>• Never been sentenced by a judgment in criminal offence</li> <li>• Never been sentenced by a judgment to be bankrupt or insolvent</li> <li>• Never been sentenced by a judgment as management or authorized person in the bankrupt or insolvent company</li> </ul>



Miss Piyanus Chaikajornwat  
Independent Director and  
Director of Audit Committee

<b>Age</b>	39 years
<b>Appointed Date:</b>	June 12 <sup>nd</sup> , 2008
<b>Family Relationship among Management:</b>	-None-
<b>Education</b>	<ul style="list-style-type: none"> <li>• Master of Science (Management), Assumption University</li> <li>• Bachelor of Business Administration (Marketing Management), Assumption University</li> </ul>
<b>Training from Thai Institute of Directors Association (IOD)</b>	<ul style="list-style-type: none"> <li>• 2009 Certificate, Director Accreditation Program (DAP 77/2009)</li> </ul>
<b>Work Experience in the past 5 years</b>	<ul style="list-style-type: none"> <li>• 2012 - May. 2014 Chairman of Risk management Committee, Pacific Pipe Public Company Limited</li> <li>• 2006 - Present Import &amp; Export Manager, Victory Industrial Company Limited</li> </ul>
<b>Current Director Position in Other Organization</b>	
<u>In listed companies:</u>	-None-
<u>In non-listed companies:</u>	<ul style="list-style-type: none"> <li>• 2006 - present Director, Clover Enterprises Company Limited</li> </ul>
<u>In listed companies or other organizations that may cause any conflict of interest to PAP:</u>	-None-
<b>Criminal offence record during the past 10 years</b>	<ul style="list-style-type: none"> <li>• Never been sentenced by a judgment in criminal offence</li> <li>• Never been sentenced by a judgment to be bankrupt or insolvent</li> <li>• Never been sentenced by a judgment as management or authorized person in the bankrupt or insolvent company</li> </ul>





Mr. Kriengkrai Rukkulchon  
Independent Director and  
Director of Remuneration  
Nomination and Corporate  
Committee

<b>Age</b>	57 years
<b>Appointed Date:</b>	April 20 <sup>th</sup> , 2007
<b>Family Relationship among Management:</b>	-None-
<b>Education</b>	<ul style="list-style-type: none"> <li>• Bachelor of Law, Ramkhamhaeng University</li> <li>• Barrister at Law, Thai Bar Association The Institute of Legal Education</li> </ul>
<b>Training from Thai Institute of Directors Association (IOD)</b>	<ul style="list-style-type: none"> <li>• 2007 Certificate, Director Accreditation Program (DAP 66/2007)</li> </ul>
<b>Work Experience in the past 5 years</b>	<ul style="list-style-type: none"> <li>• 2007 - 2012 Director of Remuneration/Nomination Committee, Pacific Pipe Public Company Limited</li> <li>• 2002 - 2011 Managing Director, Accounting Pikanet Company Limited</li> </ul>
<b>Current Director Position in Other Organization</b>	
<u>In listed companies:</u>	-None-
<u>In non-listed companies:</u>	<ul style="list-style-type: none"> <li>• 2001 - Present Managing Director, Pikanet Company Limited</li> <li>• 1998 - Present Managing Director, Proaction 2002 Company Limited</li> </ul>
<u>In listed companies or other organizations that may cause any conflict of interest to PAP:</u>	-None-
<b>Criminal offence record during the past 10 years</b>	<ul style="list-style-type: none"> <li>• Never been sentenced by a judgment in criminal offence</li> <li>• Never been sentenced by a judgment to be bankrupt or insolvent</li> <li>• Never been sentenced by a judgment as management or authorized person in the bankrupt or insolvent company</li> </ul>



Mr. Charin Hansuebsai  
Independent Director

<b>Age</b>	70 years
<b>Appointed Date:</b>	April 11 <sup>st</sup> , 2011
<b>Family Relationship among Management:</b>	-None-
<b>Education</b>	<ul style="list-style-type: none"> <li>• Master's Degree in Business Administration, University of Wisconsin - Madison, U.S.A.</li> <li>• Bachelor's Degree in Political Science (Second honors), Chulalongkorn University</li> <li>• High-level Executive Certificate, Class 18, Office of the Civil Service Commission</li> <li>• Certificate of Government Organization Management and Laws, Class 2, King Prajadhipok's Institute</li> </ul>
<b>Training from Thai Institute of Directors Association (IOD)</b>	<ul style="list-style-type: none"> <li>• 2004 Certificate, Director Accreditation Program (DAP 26/2004)</li> <li>• 2008 Certificate, Director Certification, Program (DCP 101/2008)</li> </ul>
<b>Work Experience in the past 5 years</b>	<ul style="list-style-type: none"> <li>• 2008 - 2013 Senator of Tak Province</li> </ul>
<b>Current Director Position in Other Organization</b>	
<u>In listed companies:</u>	<ul style="list-style-type: none"> <li>• 2007 - Present Audit Committee, Sahaviriya Plate Mill Public Company Limited</li> <li>• 2005 - Present Audit Committee, Bangsaphan Barmill Public Company Limited</li> </ul>
<u>In non-listed companies:</u>	<ul style="list-style-type: none"> <li>• 2012 - Present Director, Ini 3 Digital Company Limited</li> </ul>
<u>In listed companies or other organizations that may cause any conflict of interest to PAP:</u>	-None-
<b>Criminal offence record during the past 10 years</b>	<ul style="list-style-type: none"> <li>• Never been sentenced by a judgment in criminal offence</li> <li>• Never been sentenced by a judgment to be bankrupt or insolvent</li> <li>• Never been sentenced by a judgment as management or authorized person in the bankrupt or insolvent company</li> </ul>



**Dr. Chaoyong Satjipanon**  
Independent Director

<b>Age</b>	61 years
<b>Appointed Date:</b>	July 21 <sup>st</sup> , 2014
<b>Family Relationship among Management:</b>	-None-
<b>Education</b>	<ul style="list-style-type: none"> <li>• Master of Law and Diplomacy, Tufts University, USA</li> <li>• Master of Arts, Chulalongkorn University</li> </ul>
<b>Training from Thai Institute of Directors Association (IOD)</b>	<ul style="list-style-type: none"> <li>• 2014 Certificate, Director Accreditation Program (DAP 112/2014)</li> </ul>
<b>Work Experience in the past 5 years</b>	<ul style="list-style-type: none"> <li>• 2012 - 2013 Ambassador of Thailand to the United States of America</li> <li>• 2010 - 2012 Ambassador of Thailand to the Republic of Korea</li> <li>• 2007 - 2010 Ambassador of Thailand to the Switzerland</li> </ul>
<b>Current Director Position in Other Organization</b>	
<u>In listed companies:</u>	-None-
<u>In non-listed companies:</u>	-None-
<u>In listed companies or other organizations that may cause any conflict of interest to PAP:</u>	-None-
<b>Criminal offence record during the past 10 years</b>	<ul style="list-style-type: none"> <li>• Never been sentenced by a judgment in criminal offence</li> <li>• Never been sentenced by a judgment to be bankrupt or insolvent</li> <li>• Never been sentenced by a judgment as management or authorized person in the bankrupt or insolvent company</li> </ul>



Miss Viriya Ampornapakul  
Executive Director, Director  
of Risk Management  
Committee,  
Chief Financial Officer  
(Managing Director) and  
Company Secretary

<b>Age</b>	53 years
<b>Appointed Date:</b>	[1 <sup>st</sup> ] March 17 <sup>th</sup> , 2004 to April 19 <sup>th</sup> , 2008 [2 <sup>nd</sup> ] January 20 <sup>th</sup> , 2009
<b>Family Relationship among Management:</b>	-None-
<b>Education</b>	<ul style="list-style-type: none"> <li>• Master of Business Administration, Kasetsart University</li> <li>• Bachelor of Business Administration, Ramkhamhaeng University</li> </ul>
<b>Training from Thai Institute of Directors Association (IOD)</b>	<ul style="list-style-type: none"> <li>• 2004 Certificate, Director Accreditation Program (DAP 13/2004)</li> <li>• 2004 Certificate, Director Certification Program (DCP 48/2004)</li> </ul>
<b>Work Experience in the past 5 years</b>	<ul style="list-style-type: none"> <li>• 2004 - 2008 Financial Director, Pacific Public Company Limited</li> </ul>
<b>Current Director Position in Other Organization</b>	
<u>In listed companies:</u>	-None-
<u>In non-listed companies:</u>	<ul style="list-style-type: none"> <li>• 2006 - Present Director, Meesup Transport Company Limited (Subsidiary)</li> <li>• 1999 - Present Director, Tamose Trading Company Limited (Subsidiary)</li> </ul>
<u>In listed companies or other organizations that may cause any conflict of interest to PAP:</u>	-None-
<b>Criminal offence record during the past 10 years</b>	<ul style="list-style-type: none"> <li>• Never been sentenced by a judgment in criminal offence</li> <li>• Never been sentenced by a judgment to be bankrupt or insolvent</li> <li>• Never been sentenced by a judgment as management or authorized person in the bankrupt or insolvent company</li> </ul>



Miss Thitima Vattanasakdakul  
Executive Director, Director  
of Risk Management  
Committee and  
Chief Operating Officer

<b>Age</b>	34 years
<b>Appointed Date:</b>	April 23 <sup>rd</sup> , 2011
<b>Family Relationship among Management:</b>	-None-
<b>Education</b>	<ul style="list-style-type: none"> <li>• Master of E-Commerce with Distinction Award, University of Wollongong, Australia</li> <li>• Master of International Economics and Finance, Chulalongkorn University</li> <li>• Bachelor of Finance, Chulalongkorn University</li> </ul>
<b>Training from Thai Institute of Directors Association (IOD)</b>	<ul style="list-style-type: none"> <li>• 2013 Certificate, Director Certification Program (DCP 177/2013)</li> </ul>
<b>Work Experience in the past 5 years</b>	<ul style="list-style-type: none"> <li>• 2010 - Jul. 2013 Production Director, Pacific Pipe Public Company Limited</li> <li>• 2009 Business Development Director, Pacific Pipe Public Company Limited</li> <li>• 2007 - 2008 Assistant Managing Director, Pacific Pipe Public Company Limited</li> </ul>
<b>Current Director Position in Other Organization</b>	
<u>In listed companies:</u>	-None-
<u>In non-listed companies:</u>	<ul style="list-style-type: none"> <li>• 2009 - Present Director, Meesup Transport Company Limited (Subsidiary)</li> <li>• 2013 - Present Director, Tamose Trading Company Limited (Subsidiary)</li> </ul>
<u>In listed companies or other organizations that may cause any conflict of interest to PAP:</u>	-None-
<b>Criminal offence record during the past 10 years</b>	<ul style="list-style-type: none"> <li>• Never been sentenced by a judgment in criminal offence</li> <li>• Never been sentenced by a judgment to be bankrupt or insolvent</li> <li>• Never been sentenced by a judgment as management or authorized person in the bankrupt or insolvent company</li> </ul>



Miss Sunisa  
Kwanbunbumpen  
Business Relations Director

**Age** 58 years

**Family Relationship among Management:** -None-

**Education**

- Master of Management (With President Award for Academic Excellence), Assumption University
- Bachelor of Art (French), Remkamhaeng University

**Work Experience in the past 5 years**

- 2010 - Jul. 2014 Director, Pacific Pipe Public Company Limited
- 2010 - Present Director, The Federation of Thai Industrial.
- 2002 - Present Treasurer of Thai Iron and Steel Industry Club, The Federation of Thai Industries.



Mr. Nantawat  
Sathirachaiyawit  
Engineering Director

**Age** 56 years

**Family Relationship among Management:** -None-

**Education**

- Master of Business Administration, Siam University
- Bachelor of Industrial Engineer, Rajamangala University of Technology

**Work Experience in the past 5 years**

- 2010 - May. 2013 Director, Pacific Pipe Public Company Limited
- 2009 - Present Director, Meesup Transport Company Limited (Subsidiary)





Mrs. Phathra Chanyavilas  
Marketing Director

- 2008 - 2009 Production Director, Pacific Pipe Public Company Limited

Age 51 years

**Family Relationship among Management:** -None-

## Education

- Master of Business Administration,  
Chulalongkorn University

### Work Experience in the past 5 years

- 2008 Business Director, Organon (Thailand) Company Limited



Mr. Pert Leevilaikulrat  
Assistant Director

**Age** 36 years

**Family Relationship among Management: -None-**

## Education

- Master of Business Administration, Thammasat University
- Bachelor of Accounting, Chulalongkorn University
- CPA (Thailand) Federation of Accounting Professions

### Work Experience Past 5 years

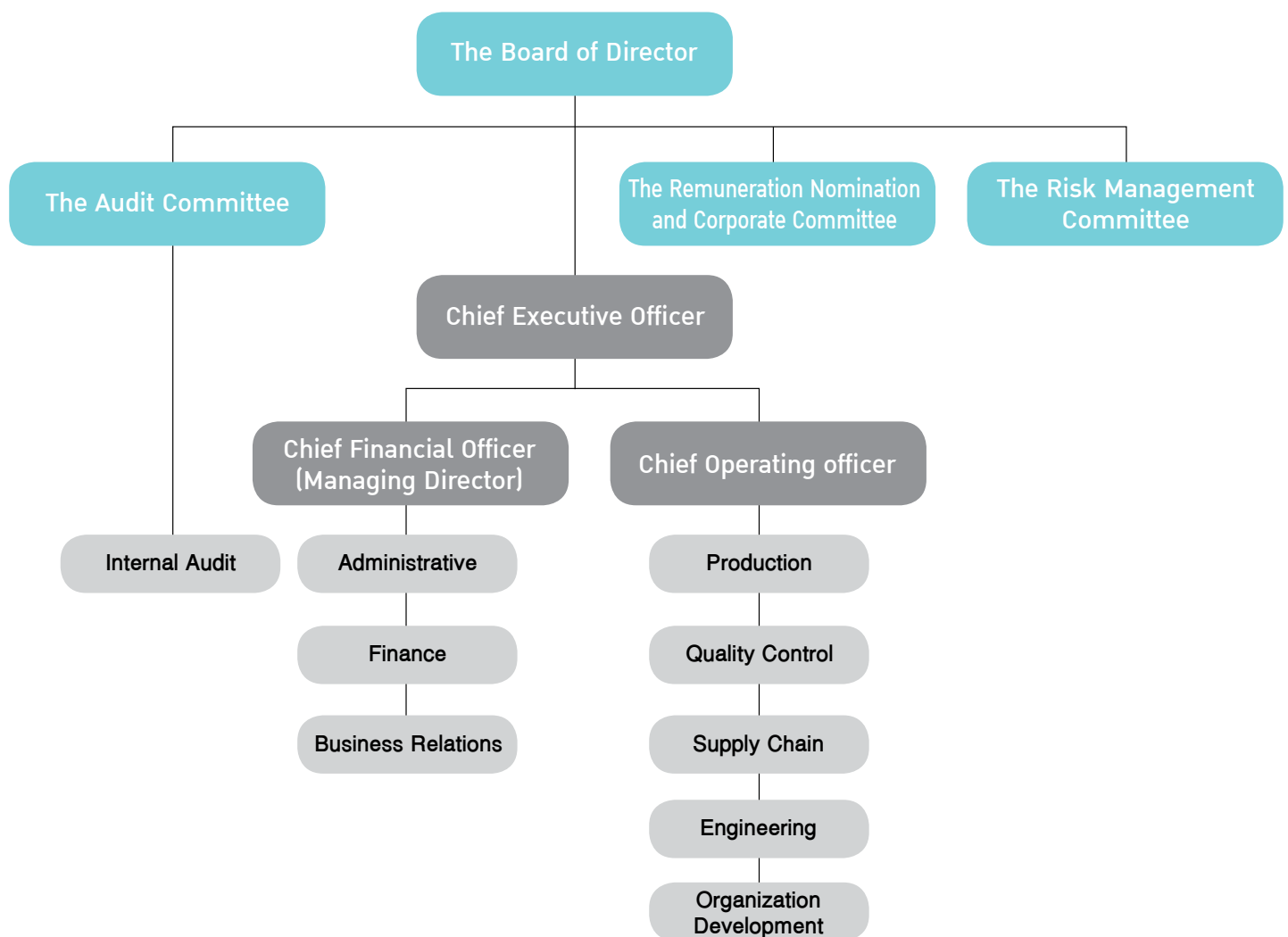
- 2008 - 2010 Accounting Manager, Pacific Pipe Public Company Limited

Shareholdings of Directors and Management Team as at December 31<sup>st</sup>, 2013

Name	as at December 31 <sup>st</sup> , 2013			as at December 31 <sup>st</sup> , 2014		Percentage of shares held (%)
	Held personally	Held by spouses and minor children	Increase (decrease) during financial year	Held personally	Held by spouses and minor children	
Pol. Gen. Wichean Potephosree	-	-	-	-	-	-
Mr. Somchai Lekapojpanich	54,199,000	17,812,500	(44,011,500)	10,187,500	17,812,500	4.24%
Dr.Vicharn Aramvareekul	-	-	-	-	-	-
Dr. Somchai Hanhiran	-	-	-	-	-	-
Mr. Somkiat Jitvutthichod	-	-	-	-	-	-
Miss Piyanus Chaikajornwat	-	-	-	-	-	-
Mr. Kriengkrai Rukkulchon	1,491,400	-	(1,491,400)	-	-	0.00%
Mr. Charin Hansuebsai	-	-	-	-	-	-
Dr.Chaiyong Satjipanon	-	-	-	-	-	-
Miss Viriya Ampornapakul	3,400,000	-	-	3,400,000	-	0.52%
Miss Thitima Vattanasakdakul	-	-	-	-	-	-
Miss Sunisa Kwanbunbumphen	3,150,000	-	-	3,150,000	-	0.48%
Mr. Nantawat Sathirachaiyawit	5,000,000	-	(400,000)	4,600,000	-	0.70%
Mrs. Phathra Chanyavilas	-	-	-	-	-	-
Mr. Pert Leevilaikulrat	-	-	-	-	-	-

**Note:** Pacific Pipe Public Company Limited has a registered capital of 660,000,000 Baht and paid-up capital of 660,000,000 Baht (660,000,000 shares).

## Organization Chart



## Shareholding and Management Structure

### Shareholder

#### List of Major shareholders as of December 30<sup>th</sup>, 2014

Name of shareholders	No. of Share (share)	Percentage
Tang Mong Seng Holding Company Limited <sup>1</sup>	257,762,500	39.05%
Lekapojpanich Group <sup>2</sup>	229,640,000	34.79%
Miss Siree Koowuttayakorn	25,500,000	3.86%
Thai NVDR Company Limited	6,477,300	0.98%
Mr. Nantawat Sathirachaiyawit	4,600,000	0.70%
Mr. Chuvit Jittarasakul	3,460,000	0.52%
Miss Viriya Ampornnapakul	3,400,000	0.52%
Dr. Prasan Kemakongkanon	3,350,000	0.51%
Mr. Peter Eric Dennis	3,310,600	0.50%
Mrs. Sirichan Eiansherangkul	3,160,000	0.48%
Miss Sunisa Kwanbunbumphen	3,150,000	0.48%
<b>Total</b>	<b>543,810,400</b>	<b>82.40%</b>

**Note :** <sup>1</sup> There are 14 shareholders in Tang Mong Seng Holding Company Limited , the details are on the Table 1.

<sup>2</sup> The details of the shareholding of The Lekapojpanich group are on the Table 2.

(Table 1) Shareholders of Tang Mong Seng Holding Company Limited

Name of shareholders	No. of Share (share)	Percentage
Mr. Prayoon Lekapojpanich	13,687,500	2.07%
Mrs. Sasidhon Lekapojpanich	17,812,500	2.70%
Mr. Somchai Lekapojpanich	10,187,500	1.54%
Mrs. Sumalee Lekapojpanich	17,812,500	2.70%
Mr. Vichai Lekapojpanich	58,687,500	8.89%
Mrs. Sukanya Lekapojpanich	17,952,500	2.72%
Mrs. Pranee Koowuttayakorn	-	0.00%
Miss Wareeya Lekapojpanich	15,000,000	2.27%
Miss Wanalee Lekapojpanich	15,000,000	2.27%
Miss Waranya Lekapojpanich	15,000,000	2.27%
Miss Nalin Lekapojpanich	24,250,000	3.67%
Mr. Kanin Lekapojpanich	24,250,000	3.67%
Miss Nattaporn Lekapojpanich	-	0.00%
Mr. Supanut Lekapojpanich	-	0.00%
<b>Total</b>	<b>229,640,000</b>	<b>34.79%</b>

**Note :** The names no. 1-6 and no.8-12 are the same person which are on the Table2 (The Lekapojpanich group)

(Table 2) The details of shareholding of the Lekapojpanich Group

Name of shareholders	No. of Share (share)	Percentage
Mr. Prayoon Lekapojpanich	13,687,500	2.07%
Mr. Somchai Lekapojpanich	10,187,500	1.54%
Mr. Vichai Lekapojpanich	58,687,500	8.89%
Mrs. Sasidhon Lekapojpanich	17,812,500	2.70%
Mrs. Sumalee Lekapojpanich	17,812,500	2.70%
Mrs. Sukanya Lekapojpanich	17,952,500	2.72%
Miss Wareeya Lekapojpanich	15,000,000	2.27%
Miss Wanalee Lekapojpanich	15,000,000	2.27%
Miss Nalin Lekapojpanich	24,250,000	3.67%
Mr. Kanin Lekapojpanich	24,250,000	3.67%
Miss Waranya Lekapojpanich	15,000,000	2.27%
<b>Total</b>	<b>229,640,000</b>	<b>34.79%</b>

## Dividend Payment Policy and Dividend Payment

The Company has determined to create sustainable economic growth and enhance the competitiveness to increase the value to the shareholders in the long term. The Company has a policy to pay the shareholders the dividend at the rate of no less than 40 per cent of the net profit after withholding reserves according to the law. Nonetheless, such dividend payment can be changed, depending on the Company's performance, financial status and investment plan.

In year 2014, the Company paid the dividend payment to Shareholders according to the resolution of the Annual General Meeting of shareholders dated on April 24<sup>th</sup>, 2014 at the rate of Baht 0.40 per share or 72.73% from the net profit of financial statement of the year 2013 ended December 31<sup>st</sup>, 2013 (The Company Only). The dividend payment was on May 9<sup>th</sup>, 2014.



## The Company Director Structure

Pacific Pipe Public Company Limited consists of 4 committees which are

1. The Board of Director
2. The Audit Committee
3. The Remuneration Nomination and Corporate Committee
4. The Risk Management Committee

### 1. The Board of Director

The board of director consists of 11 directors divide to 7 independent directors, 1 director and 3 executive directors, namely;

- |                                  |   |
|----------------------------------|---|
| 1. Pol.Gen.Wichean Potephosree   | Chairman  |
| 2. Mr. Somchai Lekapojpanich     | Vice Chairman   |
| 3. Dr.Vicharn Aramvareekul       | Independent Director and Chairman of Audit Committee  |
| 4. Dr.Somchai Harnhiran          | Independent Director, Director of Audit Committee and Chairman of Remuneration Nomination and Corporate Committee |
| 5. Mr.Somkiat Jitvuthichod       | Director, Chairman of Risk Management Committee and Director of Remuneration Nomination and Corporate Committee   |
| 6. Miss Piyanus Chaikajornwat    | Independent Director and Director of Audit Committee  |
| 7. Mr.Kriengkri Rukkulchon       | Independent Director and Director of Remuneration Nomination and Corporate Committee                              |
| 8. Mr.Charin Hansuebsai          | Independent Director  |
| 9. Dr.Chaiyong Satjipanon        | Independent Director  |
| 10. Miss Viriya Ampornnapakul    | Executive Director, Director of Risk Management Committee and The Company secretary                               |
| 11. Miss Thitima Vattanasakdakul | Executive Director and Director of Risk Management Committee  |

**Note:** Director No. 2, 10 and 11 are authorized directors which is required to have the two Co-signatures and affix with the Company's seal.

### Scope of Duties and Responsibilities of the Board of Directors

The board of directors shall perform their duties in good faith in accordance with the laws, objectives, and articles of Association and resolution of the shareholders' meeting of the Company except in particular matter that the resolution of the shareholders' meeting is required, for instance, entering into a connected transaction, acquisition or sale of major assets under the SET regulations or regulations of other government agencies. The details of roles and duties of the Board of Directors are shown in Corporate Governance Policy which is on page 67.

### The Company secretary

The board of director appointed Miss Viriya Ampornnapakul The main responsibilities of a Company Secretary are to support the work of the Board of director in the relevant with rules and regulations. For specific responsibilities of the Company Secretary are as follow;

1. Introduction to the Committee on legal, rules and regulations of the company, the Board of directors shall know and monitor compliance by properly and regularly including reporting the changes in legal definitions that are significant to the Committee.
2. To set the meeting of shareholders and the Board of Directors, in accordance with the law, the company's regulations and other best practices.
3. Provide the minute of shareholders meeting and the Board of Directors' meeting including monitoring compliance with resolutions at the Annual General Meeting of shareholders and at the meeting of the Board of Directors.
4. Provide the Annual Reports of the Company, notice of the shareholders' meeting and the Board of Directors meeting and the minute of meeting.
5. Responsible to disclose the Company information, report, in accordance with the relevant laws and regulations.
6. Contact and communicate the rights of shareholders to the shareholders.

## 2. The Audit Committee

The Audit Committee consists of 3 independent directors which have 3 terms of director since 4<sup>th</sup> March 2013 to 3<sup>rd</sup> March 2016 namely;

- |    |                           |                                 |
|----|---------------------------|---------------------------------|
| 1. | Dr.Vicharn Aramvareekul   | Chairman of the Audit Committee |
| 2. | Dr.Somchai Hanhirun       | Audit Committee                 |
| 3. | MissPiyanus Chaikajornwat | Audit Committee                 |

The Audit Committees respectively at 1 have experience that can serve to review the reliability of financial statements. The details of duties and responsibilities of the Audit Committee are shown in Good Corporate Governance which is on page 68. The audit committee appointed Mr. Naritchai Bhureongsanond as the secretary of Audit Committee.

### 3. The Remuneration Nomination and Corporate Committee

The Remuneration Nomination and Corporate Committee consists of 2 independent directors and 1 Director which have 3 terms of director since 4<sup>th</sup> February 2012 to 4<sup>th</sup> February 2015, namely;

- |    |                         |   |
|----|-------------------------|---|
| 1. | Dr.Somchai Harnhiran    | Chairman of Remuneration Nomination and Corporate Committee |
| 2. | Mr.Somkiat Jitvuthichod | Remuneration Nomination and Corporate Committee             |
| 3. | Mr.Kriengkri Rukkulchon | Remuneration Nomination and Corporate Committee             |

The details of duties and responsibilities of the Remuneration Nomination and Corporate Committee are shown in Good Corporate Governance which is on page 69. The remuneration nomination and corporate committee appointed MissNantana Lakkham as a secretary of the Remuneration Nomination and Corporate Committee.

### 4. The Risk Management Committee

The Risk Management Committee consists of 1 director and 2 executive director which have 3 terms of director since 23 February 2012 to 23 February 2015, namely;

- |    |                             |                                       |
|----|-----------------------------|---------------------------------------|
| 1. | Mr.Somkiat Jitvuthichod     | Chairman of Risk Management Committee |
| 2. | MissViriya Ampornnapakul    | Risk Management Committee             |
| 3. | MissThitima Vattanasakdakul | Risk Management Committee             |

The details of duties and responsibilities of the Risk management Committee are shown in Good Corporate Governance which is on page 70. The Risk Management Committee appointed Miss Napaporn Pornanuwong as the secretary of the Risk Management Committee.

**The meeting attendance of Directors**

The Meeting attendance of the directors in 2014 are as below:

Director	Attendance / Total of Meeting				
	The Board of Director	The Audit Committee	The Remuneration Nomination and Corporate Committee	The Risk Management Committee	The Meeting of Shareholders
1. Pol.Gen.Wichean Potephosree	7/7	-	-	-	2/2
2. Mr.Somchai Lekapojpanich	7/7	-	-	-	2/2
3. Dr.Vicharn Aramvareekul	5/5	5/5	-	-	1/1
4. Dr.Somchai Harnhiran	7/7	5/5	4/4	-	2/2
5. Mr.Somkiat Jitvutthichod	7/7	3/3	2/2	3/3	2/2
6. MissPiyanus Chaikajornwat	7/7	8/8	-	1/1	2/2
7. Mr.Kriengkri Rukkulchon	7/7	-	4/4	-	2/2
8. Mr.Charin Hansuebsai	7/7	-	-	-	2/2
9. Dr.Chaiyong Satjipanon	2/2	-	-	-	1/1
10. MissViriya Ampornnapakul	7/7	-	-	4/4	2/2
11. MissThitima Vattanasakdakul	7/7	-	-	4/4	2/2
12. Mr.Surin Wanpensakul	2/2	3/3	2/2	-	1/1
13. MissSunisa Kwanbunbumphen	4/5	-	-	-	1/1

**Note :**

1. The Company's has hold The Annual General Meeting of Shareholder on April 24<sup>th</sup>, 2014
2. The Company's has hold The Extraordinary Meeting of Shareholder on October 24<sup>th</sup>, 2014
3. Due to the term of director, Mr.Surin Wanpensakul expired by rotation on April 24<sup>th</sup>, 2014.
4. Dr.Vicharn Aramvareekul took the position of director on April 24<sup>th</sup>, 2014. (instead of Khun Surin)
5. Miss Piyanus Chaikajornwat resigned from The Risk Management Committee on May 31<sup>st</sup>, 2014.
6. Mr.Somkiat Jitvutthichod took the position of director of The Risk Management Committee on May 31<sup>st</sup>, 2014. (instead of Khun Piyanus)
7. Miss Sunisa Kwanbunbumphen resigned from the Board of Director on July 17<sup>th</sup>, 2014.
8. Dr.Chaiyong Satjipanon took the position of director on July 17<sup>th</sup>, 2014. (instead of Khun Sunisa)

## The Nomination of directors and Executives

### 1. The Nomination of Independent Director

#### **Qualification of the Independent Directors**

An Independent Director is qualified and independent person according to the definition established by the Stock Exchange of Thailand, which are as follows:

1. Holding not more than 1 percent of paid-up shares of the Company, affiliated company, associated company or any juristic person who may have a conflict of interest. These include shares held by individuals associated with it.

2. Not to participate in business, not being an employee, staff member of advisor who receives a regular salary from the Company or controlling person of the Company, affiliated company, associated company or any juristic person who may have a conflict of interest for at least 2 years before the date of filing the request is allowed by Securities and Exchange Commission Thailand.

3. No business relation, no benefit or conflict of interest whether directly or indirectly both in finance and business management of the Company, affiliated company, associated company or any person who has conflict of interest in a way that will cause loss of independence such as purchasing or selling raw material/ products/ service/ lending and loan amount.

4. Not being a person who has a blood relation or legal registered relationship in the way of fatherhood, motherhood, spouse, brother, sister, son or daughter, including spouse of son or daughter or executives, major shareholder, controlling person or person who are about to be nominated an executives or controlling person of the Company or its subsidiary.

5. Be a director who is not appointed as a representative to safeguard interest of the Company's directors, majority shareholders or shareholders who are related to the Company's majority shareholders. In addition, an independent director must feel free to give optional report work performance as required by his duties, free of any personal interest, benefit or position and free of the control of any party and does not act under the influence of any person or group of person including any circumstance by which pressure may be exerted and make an independent opinion impossible.

6. Not being or used to be auditor for the Company, affiliated company, associated company or any juristic person who may have a conflict of interest. And also not being a major shareholder, non-independent director, management or being part of manager of audit firm which has the auditor of the Company, affiliated company, associated company or any juristic person who may have a conflict of interest unless at least 2 year before the date of filing the request is allowed by Securities Exchange Commission Thailand.

7. Not being or used to be Consultant including legal consultant or financial consultant who earns consultant fee for more than 2 million Baht per annum for the Company, affiliated company, associated company or any juristic person who may have a conflict of interest. In case of the Consultant operates under juristic person, the Independent director shall not be the major shareholder, Nondependent director, Management or being a part of any juristic person who may have a conflict of interest for at least 2 years before the date of filing the request is allowed by Securities Exchange Commission Thailand.

#### **The Nomination of Independent Director process**

The Remuneration Nomination and Corporate Committee will serve to select qualified person in accordance with the requirements of the The Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET). The qualified person must be a person who has knowledge, abilities, and appropriate experience, sufficient and consistent or support with benefits the company's business and have working experience and good ethics. The Remuneration Nomination and Corporate Committee will consider the number of director positions in other companies of the person who have been nominated, this is to complies with the corporate governance policies of the company. From the above mention of the qualification, the Remuneration Nomination and Corporate Committee will nominate to the Board of Director and the shareholder's meeting for consideration . Moreover the person who have been nominated must be able to devote time to attend the meeting on a regular basis and have courage to comment on the meeting.

## **2. The Nomination of directors**

Remuneration Nomination and Corporate Committee will select individuals suitable for nomination both of knowledge and work experience which related company's business or support company's benefits in the future. Then, propose their names to a

meeting of the Board of Directors and/or a shareholders' meeting for consideration as the case maybe. The qualified person must dedicate enough time for regularly meeting; have good background of work in the past and good ethic. Moreover the Company also considers the number of director position in other companies of each nominee because it may affect with director's duties when the nominee acts as company director.

### 3. The Nomination of Executives

Executive will consider and appoint person who have knowledge, abilities and appropriate experienced. In addition the Company prepares the successor plan for personnel who have good knowledge, abilities and ethic acts as the Company's management in the future.

#### **Rights of Minor Shareholders in the Appointment of Company Directors**

1. A shareholder shall have voting rights equal to the number of shares held.
2. Shareholders vote to appoint individuals director.
3. Those who receive the most votes are considered to be elected as directors, in the order of most votes received to least, up to the number of directors to be elected at that time. If two or more candidates receive the same number of votes for the position available, the Chairman of the meeting shall make the decision on which candidate is to be chosen.

#### **Management Team**

As of December 31<sup>st</sup>, 2014, the management team comprises of 7 persons as follows:

- |                                  |  |
|----------------------------------|--|
| 1. Mr. Somchai Lekapojpanich     | Chief Executive Officer                        |
| 2. Miss Viriya Ampornapakul      | Chief Financial Officer<br>(Managing Director) |
| 3. Miss Thitima Vattanasakdakul  | Chief Operating Officer                        |
| 4. Miss Sunisa Kwanbunbumphen    | Business Relations Director                    |
| 5. Mr. Nantawat Sathirachaiyawit | Engineering Director                           |
| 6. Mrs. Phathra Chanyavilas      | Marketing Director                             |
| 7. Mr. Pert Leevilaikulrat       | Assistance of Director                         |

## Remuneration for Directors and Executives

### 1. Remuneration

**Remuneration for Board of Directors** : For fiscal year ended December 31<sup>st</sup>, 2014, the Company paid the meeting allowance and gratuity to independent directors while the executive directors was paid only gratuity.

Director	Remuneration for Board of Directors (Baht)				Total
	The Board of Director	The Audit Committee	The Remuneration Nomination and Corporate Committee	The Risk Management Committee	
Pol.Gen.Wichean Potephosree <sup>1</sup>	650,000	-	-	-	650,000
Mr.Somchai Lekapojpanich <sup>4</sup>	360,000	-	-	-	360,000
Dr.Vicharn Aramvareekul <sup>2</sup>	290,000	170,000	-	-	460,000
Dr.Somchai Harnhiran <sup>2</sup>	410,000	110,000	190,000	-	710,000
Mr.Somkiat Jitvutthichod <sup>3</sup>	410,000	75,000	87,500	135,000	707,500
Mrs.Piyanus Chaikajornwat <sup>2</sup>	410,000	170,000	-	85,000	665,000
Mr.Kriengkri Rukkulchon <sup>2</sup>	410,000	-	130,000	-	540,000
Mr.Charin Hansuebsai <sup>2</sup>	410,000	-	-	-	410,000
Dr.Chaiyong Satjipanon <sup>2</sup>	170,000	-	-	-	170,000
MissViriya Ampornnapakul <sup>4</sup>	240,000	-	-	90,000	330,000
MissThitima Vattanasakdakul <sup>4</sup>	240,000	-	-	90,000	330,000
Mr.Surin Wanpensakul	120,000	52,500	65,000	-	237,500
MissSunisa Kwanbunbumphen	140,000	-	-	-	140,000
<b>Total</b>	<b>4,260,000</b>	<b>577,500</b>	<b>472,500</b>	<b>400,000</b>	<b>5,710,000</b>

**Note :** <sup>1</sup> Chairman | <sup>2</sup> Independent Director | <sup>3</sup> Director | <sup>4</sup> Executive Director

- Due to the term of director, Mr.Surin Wanpensakul expired by rotation on April 24th, 2014.
- Dr.Vicharn Aramvareekul took the position of director on April 24th, 2014. (instead of Khun Surin)
- Miss Piyanus Chaikajornwat resigned from The Risk Management Committee on May 31st, 2014.
- Mr.Somkiat Jitvutthichod took the position of director of The Risk Management Committee on May 31st, 2014. (instead of Khun Piyanus)
- Miss Sunisa Kwanbunbumphen resigned from the Board of Director on July 17th, 2014.
- Dr.Chaiyong Satjipanon took the position of director on July 17th, 2014. (instead of Khun Sunisa)



**Remuneration for Executives :** In 2014, the Company paid the remuneration to 7 executives in the total of 35,251,000 Baht which divided to salary and bonus.

## 2. Other remuneration

### Other remuneration for Board of Directors :

- Medical limits.
- The gratuity of independent directors that the term of director expired by rotation according to the Company's corporate governance policy.

In year 2014, The Company paid the gratuity in the total of 840,000 Baht for 1 independent director that the term of director expired by rotation according to the Company's corporate governance policy (term of director for 9 years).

**Other remuneration for Executives :** The company has provident fund for executives and the Company pay in the 5 per cent rate of salary. In year 2014, the total of provident fund that the Company pain for executives is 975,000 Baht.

## Employee

As of December 31<sup>st</sup>, 2014 number of employees in the company's main line is as follows. (Excluding Executives)

Position	Quantity
1. Supply Chain	44
2. Distribution Center	38
3. Internal Audit	5
4. Administrative	93
5. Quality Control	44
6. Production	316
7. Engineering	72
8. Organization Development	46
<b>Total</b>	<b>658</b>

## Remuneration of employee (excluding Executives)

In 2014, the Company paid the remuneration to the employee (excluding Executives) in the total of 126,238,219.56 Baht which divided to salary, bonus and provident fund.

## Corporate Governance Policies

### Definition

The company's good corporate governance policy is based on the principle of The Organization for Economic Co-Operation and Development (OECD), and Principle of Corporate Governance Year 2006 by The Stock Exchange of Thailand and Securities and Exchange Commission Thailand.

A definition of the company's corporate governance is a system that provides a relevance structure of every group of stakeholder including the Board of Directors, managements, and shareholders. Also, the stakeholder must be treated with fairness and equality.

In addition corporate governance policy also includes management system and internal control of company to achieve goals for most of benefit to the shareholders in the long term. The company hold 4 principles to create confidence to related parties and as the basis of sustainable growth of the business such as transparency, integrity, accountability and competitiveness with the guidelines in practice divided into 5 categories as follow;

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

### Section 1 Rights of Shareholders

#### 1. Fundamental right

1.1 The company's Board of Directors defines the Company's good corporate governance policy with regard to shareholders' rights as defined by law which comprise of;

1.1.1 Rights to receive, transfer shares and share repurchase by the Company and rights to receive sufficient information on time via the communication channel provided by the company to enable the shareholders to consider the impact which may occur both of the Company and shareholders.

1.1.2 Rights to attend the shareholders' meeting, express opinions, recommendations and jointly consider the company's agenda items during the shareholders' meeting.

1.1.3 Rights to elect and deprive directors and approve the appointment of independent auditors.

1.1.4 Rights to the equally divided profits.

## **2. Entitle to receive information and express opinion in shareholders' meeting**

2.1 The company aware of Thai and foreigners' shareholders, the company shall prepare the related documents of shareholders' meeting and memorandum in both of Thai and English.

2.2 The company gives an opportunity to shareholders for propose agenda item or submit questions in advance before the end of fiscal year via [www.pacificpipe.co.th](http://www.pacificpipe.co.th).

2.3 In the general meeting of shareholders' meeting, the Directors and financial executives, including the company's independent auditors will attend the meeting. The Chairman will allow all shareholders to question with enough time. The directors who involve in questions will explain all questions completely. The minutes of annual general meeting of shareholder is published within 14 days count from the meeting day via [www.pacificpipe.co.th](http://www.pacificpipe.co.th).

2.4 All compensation of the Board of Director is approved by the shareholders annually. The company will propose the criteria and methods with compared the compensation of the year before.

2.5 During the agenda of directors' appointment, the voting shall be conducted individually.

2.6 The company shall not add any agenda items which have not originally been included in such meeting without prior notification to the shareholders.

## Section 2 Equitable Treatment of Shareholders

### Attending the shareholders' meeting

1. The company publishes documents 30 days in advance in company's web site at [www.pacificpipe.co.th](http://www.pacificpipe.co.th) before meeting and before sending documents to shareholders. For sending process, the company granted Thailand Securities Depository Co., Ltd. which is the registrar of company. All the documents are delivered to the shareholders meeting 30 days in advance before meeting.

2. The Company aware of the convenience of all shareholders and investor to attend the AGM Meeting such as the place of meeting and access to information through the company website. The Company details to shareholders bring necessary document to completeness in meeting for maintains rights to attendees by company's articles in the part of shareholder meeting. The company has attach proxies to shareholder who objectives and may authorize others to attend the meeting instead or authorize to company's independent directors. The shareholders can download the proxies via company's website at [www.pacificpipe.co.th](http://www.pacificpipe.co.th).

3. The company provides a chance for the shareholders to propose a person to position the company's director. For more information, the shareholders are able to visit the company's website at [www.pacificpipe.co.th](http://www.pacificpipe.co.th).

4 During every shareholder's meeting, the chairman shall inform the shareholders of the voting method and the number of the quorum and enable the shareholders to equally exercise the rights in expressing their opinions and recommendations. In addition, the chairman shall be entitled to use the voting ballot for the important agenda items and inform the meeting of the result of voting.

5. The company grants shareholders to vote in the agenda that is in pending and undetermined by vote.

### The conflict of interest

The Board of Directors defines the measures to use of inside information in the Ethics and code of business conduct. This to prevent personnel used the inside /information for private benefit in the wrong way. The details are as follow;

**1. The conflict of interest**

1.1 Should avoid any action which may cause the conflict of interest with company whether due to contact with relevant company's business, such as trade/partners, customers, trade competitors or opportunity or Information that obtained by position to make personal advantage and competing with the company or perform other works which has an impact on employees' duties.

1.2 Should omit ownerships of trade competitors' shares if this ownership made employee act or omit on the employees' jobs or affected deeply to the work/task. In the case that the employees hold the stocks before working at the company, before the company enter the same business, or by heritage, the employees must report to their chief.

1.3 The company's employees, who are part of the stakeholding are prohibit to enter any transactions on behalf of the company in order to prevent the conflict of interest that might be occurred.

1.4 Any business transactions on behalf of personal, family or any corporate that having stakeholding must disclose to the Company before involving the transactions.

1.5 Performing a job of subsidiaries will be allowed only by managements or directors approval. When an approval from the management is received. However, the company's employees must not perform a job from outside that would compete with the company or lead to the conflict of interest no matter it is a temporary or permanent job. Unless it is approved by the managements or directors.

1.6 When agenda items are raised during the meetings, any person with a conflict of interest shall temporarily leave the meeting to allow other attendees to consider, analyse and discuss the item without the influence of such person.

1.7 The Board and managements shall consider connected transactions between company and its subsidiaries or affiliates independently with prudence, honesty and ethically taking into account the company's benefits.

1.8 The Board of Director, managements must report a related transaction that relate to the company or subsidiaries' business management.

## 2. Use of inside information

Inside information is the data management operation which is the company's confidential information and undisclosed to the public. If disclosed, would affect the company or company's subsidiaries. Particularly affect the value of stock trading in the stock market. The Company employees and subsidiaries do not disclose inside information derived from their duties to others or not to seek advantage from inside information for yourself or make the company's benefits reduced.

2.1 Directors, managements and employees at all levels of the company are prohibited to use inside information which are essence and undisclosed to the public for their benefit or others until after 24 hours disclosing information to the public.

2.2 The company's employees shall maintain and trade privacy. Employee shall not disclose private information to the public or other unauthorized. Employee unless it is required by law, for court cases, or approve by Board.

2.3 The directors, managements, and the employees or person who related to the information are prohibited to disclose or transmit the company's information or secret to people who are not related to the information such as family, relatives and friends etc.

2.4 Unauthorized personnel shall not disclose the information. If any unauthorized person is asked to disclose information, a direct enquiry must be made to the authorized person to ensure the correctness and consistency of the disclosed information.

2.5 Do not give an advice about the company's securities trading unless it is related to a duty that is assigned from the company.

2.6 The company will release a notice of security trade forbidden during a financial statement making period both quarterly and yearly via the company internal communication to the directors, managements, and the employees. The notice will be valid until a security commonly trading day is announce in written form.

2.7 The directors, managements, and the employees up from a head of department, accounting officer, data analysis officer, and internal audit officer must prepare a report of security trade within 3 working days to an internal audit manager when a the company's security trade is occurred.

2.8 The directors, managements, and the employees up from a head of department, accounting officer, data analysis officer, and internal audit officer must quarterly report a security holding of their own and a related person as a rule of securities and exchange Act. To the internal audit manager.

## Section 3 Role of Stakeholders

### The practices with Customers

1. Deliver products that have quality standards under fairer conditions and on the basis of the obtained yield fairer to both parties.
2. All of employee must be dedicated, strive to develop quality products, service at a reasonable price in current situation, fair terms and conditions without any restriction of consumers' fundamental rights.
3. Contract compliance or conditions that agree strictly in case of unable to comply one of the criteria, must notify the partner and/or creditors in advance to joint consideration for solutions.
4. Keep customers confidentiality seriously unless the customer agrees to disclosure of written or legal including not use for the own benefit and the persons involved.

### The practices with Trade Competitors

1. All of employee operates its business by free and fair competition. Untruthful accusations libel, unreasonable or doubtful information to discredit competitors shall not be tolerated.
2. Not to seek the confidential information of trade competitors by the way is not honest or inappropriate such bribe to employees of competitors etc.
3. Do not damage the reputation of trade competitors by the accusation untrue and not to blame without information reasonably.

### The practices with trade partner

1. Purchasing supply must have the audited procedure to provide transparency and maximum benefit.
2. The Company must conduct to trader partner with equality on the basis of fairer competition.
3. The company employee must procure products and services by consideration of needs, value, prices and quality. The employee must give accurate and equal information to trade partner without bias and no discrimination against trade partner including purchasing and supply concisely consistent with suited to the circumstances.

4. When contracting with trade partners, employee shall retain documents relevant to negotiations, drafting, contract making and contract monitoring as supporting evidence for a specific period.

5. The company employee must not to take advantage from purchasing supply. The employee must place neutral, not closely to trade partner if it cause influence decision with company's employee.

6. The employee shall strictly adhere to contractual agreements. If either the company or the trade partner should fail to comply with the agreed terms and conditions, or circumstances arise that render compliance impossible. The company employee shall report to their supervisor to seek corrective action.

## The Practices with shareholders

The company is committed to creating sustainable business growth and ability to competitive to generate value added to shareholders in the long term by;

1. The Company has the dividend policy to pay the shareholders at the rate of no less than 40 percent of the net profit. The company currently reserves 10 percent the company's capital by law. In order that, such dividend payment can be changed, depending on the Company's performance, financial status and the company investment's plan.

2. To establish the Board of Director and sub-committee to approves the business direction, planning, objectives and budget. As well as to review the operation of the company, in accordance with the laws and relate regulations with consideration the highest interests of the company, shareholders including stakeholders.

3. Shareholders and stakeholders can report or complain to the director in anything that may cause damage to the company via;

*Investor Relations Department*

*Pacific Pipe Public Company Limited*

*Address : 1168/74 Floor 26<sup>th</sup> Lumpini Tower Building, Rama IV Rd.,  
Bangkok 10120*

*Telephone : (662) 679-9000*

*Facsimile : (662) 679-9074*

*E-mail Address : ir.dep@pacificpipe.co.th*

Investor relations will collect reports or a complaint by shareholders to the Remuneration Nomination Corporate Directors who take the responsible in issue or complaint to investigate and report to the board of director.



### **The practices with creditor**

The Company complies with the terms of the loan agreement and gives the accurate financial information including debt payments are paid promptly every times and follow the terms of the contract or agreed strictly. If the company should fail to comply with the agreed terms and conditions, the company shall inform to creditor in advance to joint consideration for solutions. In business negotiations should ignore any request or pay any benefits in dishonest trade.

### **The practices for the Community and Social Responsibilities**

1. Take responsible and provide helps in aspects of environment, religious education, cultural arts as well as local custom and tradition where the company is located in.
2. Conduct activities and cooperate with the governments and community in order to enhance quality of life, social, community, and environment constantly.
3. Prevent accidents and control dispose of waste to be under acceptable standard level.
4. The Company fosters awareness of individual social and environmental responsibilities as well as the use of natural resources, materials or equipment with efficiency and effectiveness.

### **Policy on Observation of Human Rights and Labour Practice**

1. Not support the enforcement of labor or prison labor and do not use physical punishment or threat from being abused or other punishment of physical abuse, sex, mental or verbal. This is the measures of discipline or control.
2. Against and do not use child labour by not hiring people under 15 years of age, no matter which of the objectives both of routines or during non-business hours including working with wages, and no pay.
3. The Company hires foreign workers legally under the labour law.
4. The company will recruit a person to be employed in various positions fairly and consideration of the qualifications of each position, education, experience and other requirements necessary for the job. The company treats its personnel equally without discrimination, regardless of race; religion; educational background, or other status that is not directly related to their working performance.

5. The company realizes the importance of employee and aware that employees as valuable resources which as the key of company's success. For these reason, the company give precedence, take care of employees and train any skills in working by;

5.1 To give the fair salary and appropriate with duties and responsibilities.

5.2 To organize orientation and give manuals to new employees to acknowledge and understand the benefits that the employee should receive, ethics and comply with Labor law strictly.

5.3 Focus on development and provide training to educate employees continuously to increase the potential for work efficiently and promote the employee to advance in careers by testing to get a promotion in each year.

5.4 Set up the provident fund to employee for supporting in saving account in long term for themselves and their family when employee resign, retire, disabled person or died.

6. Establish a Security Committee to maintain an environment that is secure against the life and property of the employee.

7. The company will keep the personal data of employees such as health history, biographies, resumes etc. The disclosure or transfer the personal data of employees to the public will have to get approval from that employee. The harassment is a disciplinary offense unless done according to the company regulations or law.

## **Policy on Occupational Safety, Health, and Working Environment**

The Company recognizes an important of occupational safety, health, and working environment which is a basic responsibility of the company and affect to all employees including to others. The Company has established the policy as follows;

1. Occupational safety and good working environment maintenance are responsibilities of all employees to cooperative perform in order to afford safety to themselves, company, and related person.

2. The Company shall encourage all employees to understand and recognize occupational safety and health concern in their operation.

3. The Company recognizes an important of operational accident prevention.

4. The Company shall support and promote the improvement of working environment and working with safety and healthy.

5. The company will support and promote the activities of the security by training, provide the knowledge, review and practice as well as organizing various activities to create conscious in security work to the employee continuously and is always prepared.

6. The company will prepare and supply personal protective equipment that are high quality and standards to employees for their use and wear protection with appropriate for employees' work.

7. The company will monitoring for security and strict to ensure that the employees comply with the regulations about the company's security along with empathy, control staff to wear and use the equipment according to the protective that company has strictly defined.

8. Company treats all employees to participate in accident prevention and environmental protection. The company welcomes any feedback, comments of staff and be taken into account as well as improve, solve various defects with appropriate to achieve the most security to our employees

### **Policy on practice by using information technology and communication**

1. The Company promotes and uses genuine device tools and programs that are legal copyright.

2. Employee shall not perform any act that might interfere with or cause disruption to others on the computer and Internet system in the office. Employee shall not use the computer system to release inappropriate information that is against the law, morality, culture or tradition; e.g., causing damage to reputation or property, propagating pornography, disrupting mail forwarding that are interruption.

3. Employee shall safeguard their passwords and not disclose them to others to prevent unauthorized access to the computer system. Accessing unfamiliar websites should be avoided since it may cause damage to the computer system.

4. In case of the employee request access to the company information technology system for a outsider person, they shall oversee such person's use of the computer and be held responsible for any consequent damages.

5. When company employees bring computer equipment or accessories from outside into office, they must be approved by authorized person.

6. In case of the employee asks for authorization manager allowing the external person access the company information system, an employee of a company that is requesting to control your external and be responsible for damage that may occur with the company information system.

## Policy on Intellectual Property

The Company will comply with the legal requirements on intellectual property and copy rights. Employees must check beforehand that the work or information that belongs to third parties can be used within the Company without violating the intellectual property of others.

1. Any work that is performed under the Company is considered the Company's intellectual property.
2. All the intellectual properties which include the work in progress, innovation in all formats shall be returned to the Company once an employee vacates the office.
3. Employees who use the Company's computers should use only the licensed software programs of the Company to avoid violating intellectual property of others.
4. Employees must check beforehand that the work or information that belongs to third parties can be used within the Company without violating the intellectual property of others.

## Section 4 Disclosure and Transparency

### Information and report

1. The Company ensures that all important information related to the Company, both financial and non-financial is disclosed correctly, accurately, equitably, on a timely by the regulation of the Securities and Exchange Commission Thailand (SEC) and regulation of the Stock Exchange of Thailand. By addition disclose information through annual statement (56-1 Form), Annual report (56-2 Form) and company website. This allows shareholders, customers, and others who are interested can easy access information with an equitable and reliable.

2. The Board of Directors assigned to have investor relations as the company representative to communicate information to shareholders, broker analysis and others and they also get the information equitably with the Board of Directors. To contact investor relations department at;

*Investor Relations Department*

*Pacific Pipe Public Company Limited*

*Address : 1168/74, 26<sup>th</sup> Floor Lumpini Tower Building, Rama IV, Bangkok 10120*

*Telephone : [662] 679-9000 [Auto]*

*Facsimile : [662] 679-9074*

*E-mail address : ir.dep@pacificpipe.co.th*

3. The company reports the responsibility of the Board of Directors for the Financial Report and discloses the performance of the board of director and sub-committee.

## Rules and duties of the Board of Director and Top executive

### The Board of Director

The board of directors shall perform their duties in good faith in accordance with the laws, objectives, and articles of Association and resolution of the shareholders' meeting of the Company except in particular matter that the resolution of the shareholders' meeting is required, for instance, entering into a connected transaction, acquisition or distribution of major assets under the Stock Exchange of Thailand regulations or regulations of other government agencies. The scopes of duties of the Board of directors are as follow;

1. To establish and approve the Company's business direction and business objective by authorizing the power to The Chief Executive Officer to set forth the business policies and strategies. The management will act according to the policy, which should respond to the objectives set forth by the Board of Directors. The Audit Committee will inspect the company's performance in line with the relevant law and regulations.

2. To perform duty with caution and be accountable to the Company's shareholders and perform the duty in the manner consistent to the applicable laws, the Company's objectives and regulations as well as the resolutions from the shareholders in good faith and honesty.

3. To ensure that the Company has an effective written corporate good governance policy and approve the policy thereof.

4. To conduct the policy reviews to evaluate the overall effectiveness of the policy implementation at least once a year.

5. To determine the level of The Chief Executive Officer and the managing director's financial authority and establish the guidelines for the company's procurement policy in writing.

6. To consider endorsing and/or approving the matters, which relate to the company and its subsidiaries according to the relevant notifications by the Stock Exchange of Thailand.

7. To consider and approve the important decisions such as investment projects and any operation required by law.

8. To provide for credible accounting system, financial statements and audit.

### **Chairman**

1. Responsibilities as a leader of the Board of Director to monitor compliance of the management, executive director and other Sub-Committee to achieve the objectives according to the work plan.
2. Be a Chairman of the Board of Directors ' meeting and the shareholders' meeting.
3. When the meeting has equal vote, the chairman will vote casting.

### **The Audit Committee**

1. To review that the Company's financial reports are disclosed accurately and adequately by coordinating with auditor and management for preparing both quarterly and annual financial reports.
2. To review that the Company has established appropriate and effective internal control system and internal audit system.
3. To approve the appointment, transfer, dismissal, and performance evaluation of Internal Audit Manager.
4. To approve internal audit plans, budget and manpower of internal audit department.
5. To consider and review independence and performance report of internal audit unit.
6. To review that the Company has established appropriate and effective risk management system.
7. To review that the Company has conducted business in compliance with the securities and exchange law, the regulations of the Stock Exchange of Thailand, or any relevant laws governing the Company's business.
8. To evaluate the Company's auditor in the following issues.
  - 8.1 To consider audit fee based on creditability, resource adequacy, workload of the audit firm and experience of auditor who takes responsible for auditing the Company.
  - 8.2 To consider independence of the auditors.
9. To consider the Company's information disclosure of connected transactions or transactions that may involve conflict of interest in accordance with the relevant laws and regulations.
10. To perform other tasks as delegated by the Company's Board of Directors with consent from the Audit Committee.

11. To prepare report on activities of the Audit Committee and disclose in the Company's annual report.

12. To report any issues deemed necessary to be disclosed to shareholders and general investors under scope of duties and responsibilities as delegated by the Company's Board of Directors.

13. To conduct performance evaluation of the Audit Committee by relevant persons at least once a year to improve operations for the highest benefit to shareholders and organization.

14. Reporting on its regular activities to the Board of Director for their acknowledgement

15. In performing the duties of the Audit Committee, when transactions or actions that may materially affect the financial status or operating performance of the Company are found or suspected, the Audit Committee must report to the Company's Board of Directors for rectification within period the Audit Committee deems appropriate. Such transactions or actions are as follows:

15.1 Transaction with conflict of interest.

15.2 Fraud, irregularity or material defect in the internal control system.

15.3 Violation of the securities and exchange law, the regulations of the Stock Exchange of Thailand, and any other laws related to the Company's business.

In the case that the Audit Committee report the suspicious transactions or actions that may materially affect financial position and operating performance to the Company's Board of Directors and management, but they fail to make the rectification within the specified period without appropriate reason, any member of the Audit Committee may report such matter to the Securities and Exchange Commission and/or the Stock Exchange of Thailand.

16. To report preliminary findings of investigation to the Audit Company and auditor within 1 month from the notification date of the auditor upon the Board of Directors, manager or any designated person against the Securities and Exchange Act (No.4) B.E. 2551.

#### **The Remuneration Nomination and Corporate Committee**

1. The determine necessary and appropriate compensation both in terms of money and other benefits for the directors, sub-committee's directors and the executive directors each year. The compensation proposal shall be forwarded to the Board of Directors for approval, or to the shareholders' meeting, as the case may be.

2. To be accountable to the Company's Board of Directors by explaining and answering the questions regarding the directors' compensation during the shareholders' meeting.

3. To select the qualified persons to the position of director by nominating the persons to the Company's Board of Directors for approval and/or to the shareholders' meeting, as the case may be.

4. Specify and propose the good corporate governance, ethics and code of business conduct to the board of director approval.

5. Specify and set the scopes of corporate social responsibilities' activities.

6. To execute any other works as assigned by the Board of Directors.

#### **The Risk management Committee**

1. To defines the risk management policy to the board of director approval

2. To define strategy and method of company's risk management in each issue to comply with the policy. The strategy and method of risk management can be assessed, reviewed and protected risks in the appropriate level. There are guidelines in practice to get to an event when that risk happen. There are guidelines that can receive events when the risk occurs.

3. To learn, review and assess the risks that may occur including the impact of the trend may occur to company and its subsidiaries in the following issues;

- Risk strategy
- Operating risks
- Financial risks
- The compliance risk

4. To follow up, conduct and review the risk management policy including review the strategies and practices when the risks happened at least 1 times per year to ensure that the risk strategies are appropriate in that events and effectively apply.

5. To give advice and support to the company's Management Committee in enterprise risk management. Include the promotion and support to improve risk management system development in company continuously and regularly.

6. To communicate, information exchange and coordination in risk management and internal control to the Audit Committee.

7. To appoint team and/or management team to support the process and risk management activities, as appropriate and necessary.

8. To execute any other works as assigned by the Board of Directors.



**Chief Executive Officer**

1. To conduct and propose the Company's business policies, goals, operational plans, business strategies, and annual budgets to the Company's Board of Directors for approval.

2. To set business plans, budgets, and management authorities to seek approval from the Company's Board of Directors.

3. To authorize approval of financial activities to purchase raw materials with amount up to 350 million baht in total. To authorize approval for the higher amount if such purchase is deemed necessary to prevent impact on the Company's operations but it must seek ratification from the Company's board meeting.

4. To authorize approval of and sub-grant authority to others to approve the Company's investment transactions, and financial activities as follows:

- Investment transactions with amount not exceeding 30 million baht.
- Asset procurement for the Company's business expansion with amount not exceeding 50 million per transaction and up to 100 million in total. In case that the amount exceeds 100 million baht, ratification is a must upon completion. If less than the limit, it must be contained in annual report to propose to the board's meeting.

5. To monitor the Company's business operations to be in accordance with business policies, goals, operational plans, business strategies, and budgets approved by the board with efficiency and in favor of business circumstance.

6. To set efficient organization and management structures by covering the Company's employee selection, training, hiring and termination.

7. To supervise and approve matters related to the Company's operations. It may appoint or authorize any one or several persons to engage in any activity as it deems appropriate. Chief Executive Officer is entitled to repeal, change or modify the scope of the authorization.

8. To perform any other duties as delegated by the Company's Board of Directors.

Duties and responsibilities shall not be granted or sub-granted in a manner that proxy can approve any transaction in which Chief Executive Officer or any person may have any interest or conflict of interest with the Company or subsidiary companies (as prescribed in the Notification of the Securities and Exchange Commission). Such approval must be proposed to the meeting of the Company's Board of Directors and/or the meeting of shareholders (whichever is applicable) for the approval as stipulated in the Articles of Association of the Company or its subsidiary companies, or any applicable laws, but approval of transactions in the normal course of business.

### **Internal Control and internal auditing**

The company has internal audit department which perform in auditing all of department of the company to comply the regulations. Including evaluate performance and sufficient internal control. This helps management ensure in internal control system that are actual operating regularly and suitably. Moreover seek for fault, weakness and develop operating system more effectively. The internal audit department can audit and take equilibrium due to the report direct to the Audit Committee as below structure on page 43

### **The Organization and the environment**

1. The company is targeting explicit business goal and can be assessed. Then present to the Board of Directors to consider as guidelines for employees' practices.

2. The Company provides the Ethics and code of business conduct for good practice and notifies all employees have signed to acknowledge to all of employee. This to help all employee duty without against with ethics and code of business conduct.

3. The company structure is divided the duties and responsibilities clearly and set the approval authority as written to help the operations as efficiently as possible, appropriate with company's size.

4. Define and provide job description that defines type of work, duties, knowledge and skills to recruit appropriate personnel.

5. The company has human resources management policy both in recruiting personnel to suit the position, personnel development and training, promotion, raise of salary and reasonable of incentive and reward.

### **To control**

1. Use KPI that is clearly defined as a tool of planning and controlling operating results.

2. For each type of transaction, the company has set approval authority in finance as written.

### **To follow up and evaluation**

1. To provide the report that compares an actual operation with quarter forecasts.

2. The company has internal audit department and data analysis department which are knowledgeable personnel. The reports will be present to the board of directors and top management.

## Risk management

The Board of Director encourages adopting the risk management system which is one important mechanism to achieve company's objectives and increase value added to stakeholders. Therefore, the Board of Director assigns the managements and key persons in every division to act as risk owner which their roles are responsible to assess and manage their risk in into the level of Risk Appetite. Moreover, the Board of Director support and motivate the risk management to be the company cultures by guide everyone to realizes the importance of risk management of the company and to define the efficiency risk management system in every working process. And also implement the international standard of the risk management framework which is referred to standards of The Committee of Sponsoring Organization of the Treadway Commission (COSO), consists of internal control system guidelines framework (COSO) and risk management guidelines framework (Enterprise Risk Management, ERM) as the principles of the good corporate governance policy. The objective of the risk management is to increase the chances of success by using limited resources with efficiently and decrease uncertainty of company's operating results. The Company's risk management process consists of 8 elements as follows;

### 1. Internal Environment

This process is emphasized on setting the strategy planning process to understand the principles and reasons in determining the company's strategy for setting the risk factors covers all activities in the Company. The strategy started from defining the annual mission by top management in accordance with the company's vision by adopting the strategy into practice through the BSC (Balanced Scorecard) which is the responsibility of the management in each division, or activities that will require annual planning and budgeting by considering from activities in BSC, the connections between the activities, as well as defining KPI to measure the success of each activity.

### 2. Objective Setting

Objectives must be consistent and be in the same direction which is the purpose of the company shall be consistent with the vision, mission and direction of the operations of the company through the company level, divisions and risk owner. In order to achieve the all objectives, acknowledgement of the operations scope in each level and analyze the risk must be done completely. In summary, the objective must show the results of the company's achievement, not only mention to the process of practice.

### 3. Event Identification

Organize the workshop with the relevant person to identify the event risk by considering, explaining process that affects the objectives of division and company. To specify the event or uncertainty that might causing the error, failed, damage, or lost opportunities that will affect the achievement of the objectives of the company and the division without considering the current control and the possibility of an event or uncertainty. To ensure that the specified risk events are covered in every activities.

Taking the event risk to consider the risk relationship and analyze the causal relationship by analyzing the relation of risk events and consider the causal relationship to define the risk factors with specified risk categories. The risk management committee has been classified the risk into 3 types;

- Strategic Risk is the risk involved in the strategic level.
- Operation and Compliance Risk is the risk involved in operating levels and the illegality practice.
- Financial Risk is the risk associated with financial

### 4. Risk Assessment

After The risk owner had identified risks then grading score to the risk appetite of the company will be apply by assess the level of inherent risk that do not have any action and revise the risk matrix when considering the effective control of the risk factors. The details of best practices are as follows;

4.1 The risk matrix assessment by leading events and risk factors that have been discovered or identified in the previous process to assess severity levels with the frequency or the opportunity that will be possible to specify the priority of the risk.

4.2 The risk matrix is a consideration multiple risk factors to sequence the risk matrix for achieve clarity in consideration choosing risk factors. This is to determine the risk management plan to reduce the risk matrix that as the risk appetite of organization.

### 5. Control Activities

Control Activities is the consideration of efficiency, effectiveness of control activity that decrease the risk level into the risk appetite of the company. By consider the control effectiveness after assessment of inherent risk and after the defining of risk response.

The efficiency, effectiveness of control effectiveness will consider based on the use of existing resources of division from human resources, budgets, time, materials and devices to reduce, protect the opportunity to risk events or reduce the impact if the risk event occurred which have operating cost worthwhile or less than the impact that may occurred if happens as the risk factors identified.

## **6. Risk Response**

After evaluate the risk matrix and risk prioritization that show the residual risk that higher than risk appetite, the risk owner must be set up the action plan to reduce the chance of event that may occurred if the risk event happened by awareness of existing resource management to achieve maximum benefit. It must take into account of the nature of the risk, risk matrix and cost or resources required for that choices compare with the results that are obtained. The risk management committee defines risks to the risk owner of each division to identify Key Risk Indicator and Key Performance Indicator in order to assess the success of the action plan. There are 4 alternative ways to manage the risk which are as follows;

6.1 Avoidance is an avoid risk that is in the very high level or the division may not accept the risk. That is high impact to the Company, work, project, activity or work process but risk owner cannot manage with any method. It needs to manage risk by stopped, cancel the project, reduce the work of project or activities that specified.

6.2 Sharing is distributing or transferring the risk to other agencies both internal and external the Company to share responsibility. Especially it is the risk that unexpected risks or difficult to protect, or high levels of violence such as a natural disaster or various damage which unable to accept that risks. It may transfer risk by using the insurance or caused from the instability of the professional personnel in division. Risk owner may hire outsource such as security, cleaning, etc.

6.3 Reduce is the reduction or control of the risk in cases of the risk owner agree that risk occurred by internal factors or the reason that risk owner can reduce or control by the internal control method or improvement working process system. By designing the new working process in order to reduce the chance of damage or impact in the risk appetite such training to employee, provide handbook of work to reduce the human error. If the risk is caused by external factors, the risk owner may use the strategy or other defensive measure to reduce the impact or the severity of the risk.

6.4 Acceptance is the risk appetite or low level of risk or very high cost of managing risk with not worth or be a risk that out of control. It may cause from the external factors which cannot control such government policy, law etc.

## **7. Monitoring**

Monitoring is the process of evaluation of risk management plans that is defined by risk owner.

Risk owner takes the responsible to analyze and evaluate the risk management plan that is effective or not. If risk owner operated in accordance with the risk management plan but still have risks that cannot be acceptable, risk owner should consider the risk level and how to manage that risks. Then proposed to the risk management Committee for consideration and give an opinion including allocate budget for supporting. Finally, the risk management will be succeed, it must be supported by top management seriously and determine how to manage the residual risk.

## **8. Information & Communication**

Integrated risk management will occur and practice continues must be supported by the top management of the Company and get cooperation from all employees. Therefore, to make all employees in the Company understands their role and aware of their role of integrated risk management system completely and thoroughly, the Company must be fully set the information and communication systems effectiveness both in public relations part, training and follow up. Currently, the company has to communicate through the risk management committee meetings by inviting risk owner to report risk management of each division.

# **Section 5 Board Responsibilities**

## **1. Composition of the Board of directors**

1.1 The member of the board of directors of PAP according to the company's articles number 11 details that "The Company shall have a Board of Directors which consists of at least 5 persons. The Board of Directors shall provided that at least half (1/2) of the directors shall reside within the Kingdom of Thailand. The directors shall have qualifications as specified by law." At the present the company director consists of 11 persons who divide to 3 executive directors, 7 independent directors and 1 director.

1.2 The Chairman is an independent director.

1.3 The process of searching and appointing the directors shall be transparent and applied in a manner consistent to applicable laws and rules and regulations of the Company. The selection must be proposed to the Remuneration Nomination and Corporate Committee for their consideration and presented for approval to the Company's Board of Director and/or to the shareholders' meeting, as the case may be.

1.4 The Chairman of the board shall not be the chairperson or the member of the sub - committee.

1.5 The company secretary shall be appointed to assist the company's directors in the exercise of their duties and responsibilities in the manner consistent with all applicable laws, rules and regulations.

## **2. Qualification of directors**

2.1 Be knowledgeable, abilities and ethical with dedicate their time, knowledge and abilities including an attempt to perform duties and independence in making decisions.

2.2 The directors shall not have any forbidden qualifications set forth by the Public Company Limited law and applicable legislation.

2.3 Limit the number of director positions in other companies of the Company Director not over 5 companies.

2.4 Limit the number of director positions in other companies of Managing Director not over 3 companies.

2.5 The Company's qualification for Independent Directors is in compliance with the qualifications specified by the SEC and the SET.

2.6 A term limit of 9 years for Independent Director.

2.7 In case of the Company have the independent directors who served over nine years and are appointed as independent directors for another term. The appointment must be approved by shareholders.

2.8 Term of directors is under the condition of each committee's charter. According to the company's articles in number 13, define that at every annual general meeting, one-third (1/3) of directors, or, if their number is not a multiple of three (3), then the number nearest to one-third (1/3) shall retire from office. The directors retiring in the first year following the establishment of the Company shall be drawn by lots. In subsequent years, the directors who have been longest in office shall retire. The director who retires by rotation can be re-electing in the director position.

### 3. Sub-committee

Apart from the Board of Directors, the Company also has three-sub committees: Audit Committee, Remuneration Nomination and Corporate Committee and Risk management Committee. The scope of duties and responsibilities of the sub-committees are stipulated as following:

#### 3.1 Audit committee

The Audit committee consists of 3 independent directors who are also the company's directors. At least one of them must have an expertise in accounting/finance. The term limit of the committee is 3 years.

#### 3.2 Remuneration Nomination and Corporate Committee

The Remuneration Nomination and Corporate Committee consists of 3 members which are 2 independent director and 1 director, with the term limits of 3 years.

#### 3.3 Risk Management Committee

The Risk management Committee consists of 3 members which are 1 director and 2 executive director, with the term limits if 3 years.

### 4. The Meetings

In each year, the Board of Director will have to schedule meetings in advance annually. The company secretary will send the invitation and distribute the materials including information and data that are important to the Board of Directors at least 7 days prior to such meeting. Every director is free to suggest the inclusion of agenda items for that meeting. Each director is required to inform the Company at least 1 to 2 days prior to the meeting if they cannot attend such meeting. During the meeting, the Board of Directors shall allocate sufficient time for the participants to express their opinions and debate the issues. Senior executives shall respond to the inquiries in their capacities as the accountably persons through the executive directors. The minutes of the meeting shall be recorded in writing.

In addition, the Board of Directors has the policy setting the meeting between non-executive directors at least once a year.



## 5. Compensation

5.1 The Remuneration Nomination and Corporate Committee shall set forth the compensation for the Board of Directors by making the recommendation to the Board of Directors and the shareholders for approval. The Company's policy is to compensate the directors based on the Company's performance and the benefits expected to gain from the Board of Directors. Such compensation should be competitively relative to comparable companies and high enough to attract exceptional talent to its board. The compensation thereof is divided into the directors' meeting allowances and gratuity.

5.2 As for the compensation for the Chief Executive Officer, The Remuneration Nomination and Corporate Committee will determine the compensation and offer an approval from the board of directors based on the annual assessment and the annual performance. The compensation of Managing Director and Executive Director, CEO will assess and determine the compensation and offer to the Board of Director to approve.

## 6. The board of directors' report

The Board of Directors is responsible for the consolidated balance sheets of the Company and its subsidiaries. Such balance sheets shall be executed according to the accounting standard. The applicable accounting method shall be appropriate and consistent. The method selection shall be done with cautions with best assessment. They must ensure that the Company has effective disclosure in the financial statements. The Board of Directors shall be accountable for the financial information in the financial statement appeared on the annual report. Audit committee consists of independent directors who shall be accountable to the quality of the financial statements and adequate systems of internal control. The comments from the Audit Committee shall be made available in the annual report.

## 7. Succession Planning

The Board of Directors shall establish the succession plan of the management and knowledge among the directors and management, and to transfer responsibilities systematically. Therefore, investors can be sure that the Company's succession plan is well managed.

## 8. New Director Orientation

The Company Secretary will prepare the relevant documents and be beneficial to the duties of Directors such as Director Handbook, anti-corruption policy, corporate governance policy and code of business conduct including site visit of the Company.

## 9. Training and education for directors

Newly-appointed directors shall be informed of the important rules and regulations applicable to the Board of Directors, sub-committees as well as the Company's policy and important information. The company encourages every director to participate in seminar courses by the organization of State regulatory agencies or independent organizations which are beneficial to newly-directors to better perform duties such as Directors Accreditation Program (DAP) by the Thai Institute of Director.

## 10. Evaluation of the Board of Directors' performance.

### The Board of Directors

To perform duties efficiently and the most effectively, the company defines to evaluate all of committees' performance. Moreover evaluation can review, develop and improve the committees' performance better according to the good corporate governance policy. All evaluation will be summarized and add the agenda in the board of director meeting number 1 in every year to apply the results of the evaluation to analysis and opinions on each issue together.

The Remuneration Nomination and Corporate Committee is a proposed criteria for assessing and proposed to the Board of Director's meeting.

All evaluations will be summarized and add agenda on the Board of Directors meeting no. 1 of every year. This for analyze assessment results released and share opinion on each issue together.

All sub-committees are set to evaluate their performance but estimates by the company's Board of Directors in sub-committee performance. The sub-committee will present the evaluation results to the Board of Director. This to propose guidelines to improve performance on various issues from the company's Board of Directors.

### The Chief Executive Officer

The evaluation of Chief Executive Officer by the Board of Directors is the tool that helps the CEO's improvement. In Addition, the results will be considered to the annual remuneration of the Chief Executive Officer. The evaluation is divided into 2 parts: Section 1 as a measure of successful goals, section 2 is the assessment of duty of the Chief Executive Officer. The Board of Directors will evaluate individual.

The Board of Director will evaluate the duties of Chief Executive Officer as the individual and assessment of each director to calculate as an average and the conclusion of the Board of Directors meeting in January of each year. The Chairman will notify the assessment result to Chief Executive Officer.

### Supervision the operations of subsidiaries

Pacific Pipe Public Company Limited has 2 subsidiaries which are Tamose Trading Company Limited and Meesup Transport Company Limited. The directors in subsidiaries are the representatives from Pacific Pipe Public Company Limited in order to participate in management and determine the operation policy for the highest benefit to the subsidiaries. In case of the operation results of subsidiaries have impact significant; the representatives must report to the Board of Director of Pacific Pipe for approval and also set the good corporate governance policy and ethic including regulation in connected transaction. These policies will conduct the operation of company and subsidiaries and provide guidelines the business and development operates in the same direction.

### The audit fee

In 2014 the Company and its subsidiaries paid the audit fee to Ernst & Young Office Limited and the person, or related parties with the auditor and the auditing firm as follows;

#### 1. Audit Fee

Company	Audit Fee (Baht)
1. Pacific Pipe Public Company Limited	1,040,000
2. Tamose Trading Company Limited	280,000
3. Meesup Transport Company Limited	220,000
<b>Total</b>	<b>1,540,000</b>

#### 2. Other fee

-None-

The auditing firm and auditor have no relationship and/or conflict of interest with the Company / the managements / major shareholders or person relates to the said person.

## Anti - Corruption Policy

### Principle

The company transparently operates the business under a fair competition rule. Therefore, the company disavows an opaque contact and business operation, or corruption which discredits both the company and the country's reputation.

### Definition

**Corruption** is defined as perform or refrain any performances in the position and duties or refrain any practice in dealing in order to gain an interest, or take advantage by using a position's power includes direct and indirect offering an interest in order to gain an illegal and unethical pay-off for both oneself and others, and in both operation and policy.

### Anti-Corruption Policy

To prohibit directors, management, personnel and employee of the Company behave any action that is related to corruption. Not to seek benefit directly or indirectly for yourselves, family, friends and acquaintances whether as a recipient or a provider or as an offer bribe both of money or non-money to a State agency or private agency that the Company contact and do the business with. All of personnel must abide by anti-corruption policy.

### Duty and responsibility

1. The Board of Director has duty to consider and approve the anti-corruption policy all forms both of direct and indirect. In order to be used as guidelines of practices for all personnel of the organization.

2. The Audit Committee has the duties and responsibilities are as follows;

2.1 Review the audit reports, internal control system and risk assessment related to corruption according to the internal audit Department has proposed. To ensure that internal control systems have a minimal impact of risk to the financial position and operating results of the company and appropriate to the company's business model.

2.2 Report on the results of the internal control systems and risk assessment about the fraud to the Board of Directors.

3. The internal audit Department has the duties and responsibilities are as follows;

3.1 Duty to comply with the internal audit plan and present the report of internal audit control system and risk assessment about the corruption which is monitored by internal audit department to the Audit Committee.

3.2 To execute any other works as assigned by the Audit Committee in the fraud issue related organization which is not in internal audit plan.

4. The management has duties and responsibilities are as follows;

4.1 Define the anti-corruption policy to the Board of director approval.

4.2 Communicate to the personnel and related parties to acknowledge the anti-corruption policy.

4.3 Review the appropriate of anti-corruption policy that suited for the changes in the business or legal regulations and present to the Board of Director approval.

## Regulations

1. The company's employees are prohibited from trying to illegally and unethically predominant a business partner and competitor such as offering a discriminately assistance and bribery.

2. Do not operate or be part of an illegal business.

3. In term of dealing with a business partner, the employees must avoid giving or receiving a stuff that involved in a business negotiation, contract making or delivering a contract. For a receiving or giving stuff, it must be in a proper value or be legally approved. Moreover, the regulation is forced to use for both giver and receiver.

4. The company has an anti- bribery policy to both a government officer and others.

5. In case of procurement, the personnel must be made through the company's regulations that are transparency and can be verified.

6. Directors and executives must recognize the importance of dissemination of knowledge and consulting in order to create a better understanding to subordinates about the anti-corruption. Employees can practice according to anti-corruption policy and be a good example in honesty, ethics and code of conduct.

## To publish the anti-corruption policy

To let all personnel acknowledge the anti-corruption policy, the Company will perform the following actions;

1. The company will announce a policy of anti-corruption at the signboard every plant of the Company.
2. The company will publicize the anti-corruption policy through the communication channels of the company such as company intranet, company website, Form 56-1 and annual report (56-2).
3. The company will provide training the anti-corruption policies to new employee and provide the details of anti-corruption into the employee's Handbook.

## Complaint and Whistle Blowing Policy

### Scope of complaint and Whistle Blowing

The company's employees should ask or consult with a trusted supervisor of any level if they doubt or discover a violation of following principles:

- Contravening the company's corporate governances
- Contravening the company's rules and regulations
- Receiving an unfair treatment
- Fraud action

If the employees are uncomfortable to do so, the employees are able to directly inform as the detail in a complaint channel.

### Complaint channel

The employees are able to file a complaint or clue via following channel:

1. File a comment via a comment box at each plant
2. Contact with a responsible people including:
  - 2.1 Internal audit manager: Khun Naritchai bhureepongsanon  
E-mail address: [naritchai.bhu@pacificpipe.co.th](mailto:naritchai.bhu@pacificpipe.co.th)
  - 2.2 Chairman of Remuneration Nomination and Corporate Committee:  
Dr.Somchai Hanhiran E-mail address: [harnhirun@yahoo.com](mailto:harnhirun@yahoo.com)
  - 2.3 Secretary of Remuneration Nomination and Corporate Committee  
Khun Nantana Lakkham E-mail address: [nantana.lak@pacificpipe.co.th](mailto:nantana.lak@pacificpipe.co.th)

## Process after receiving a complaint

### 1. Fact gathering

A complaint receiver will gather a fact and then send to Secretary of Remuneration Nomination and Corporate Committee director.

### 2. Data Screening

The complaint receiver will present the complaint to a delegate of the management within 3 days, that participates in a consideration including:

- 1) Human Resource Manager or a delegate in manager level or above.
- 2) Director in a complaint's department who is a person with no conflict or benefit with a complaint.

3) Internal Audit Manager (with a participation of the Secretary of Remuneration Nomination and Corporate Committee Director)

### 3. Operation measurement's specification

Secretary of Remuneration Nomination and Corporate Committee director will be a person who summarize a report and propose a complaint's operation measurement, and then present it to the managing director or chief executive officer, depending on a case.

In case of severely affecting the company's image and reputation, financial status, the company's operating policy or relating to CEOs, the Chairman of Remuneration Nomination and Corporate Committee audit committee will propose it to the internal audit committee.

## Reporting an operation and investigation results

The internal audit manager and secretary of Remuneration/Nomination director will report a result of the operations that have been done to the CEOs and the board of directors.

All of the employees must sign in a form that appear in the last page of the ethical and morals for business practice, in order to confirm an acknowledgement of the company's corporate governance. Then, the employees are unable to claim that they have not been informed about the company's laws and regulations, to be a reason for violating them.

Moreover, any cancellation of the company's laws and regulations must be approved by the directors, and then it will be announce immediately.

### **Measurement of protecting the violation's reporters and appellants**

1. The company will keep a reporter and appellant's information confidential.
2. The company will disclose the information only a necessary part regarding a reporter and appellant's safety.
3. An affected person will be justly lessened the damage or affection.



## Audit Committee Report

The Company's Board of Directors approved an appointment of 3 Audit Committee members who are also Independent Directors which have knowledge and meet all requirements by the Stock Exchange of Thailand. The committee consists of:

1. Dr.Vicharn Aramwareekul <sup>/1</sup>	Chairman of the Audit Committee
2. Dr.Somchai Hanhiran <sup>/2</sup>	Director of the Audit Committee
3. MissPiyanus Chaikajornwat	Director of the Audit Committee
And Mr.Naritchai Bhureepongsanoon	Secretary of the Audit Committee

<sup>/1</sup> Dr.Vicharn Aramwareekul is appointed as Chairman of the Audit Committee since 29 April 2014 instead of Mr.Somkiat Jotvutthichod which resigned since 31 March 2014.

<sup>/2</sup> Dr.Somchai Hanhiran is appointed as Director of the Audit Committee since 29 April 2014 instead of Mr.Surin Wanpensakul which resigned since 31 March 2014.

In fiscal year 2014, the Audit Committee independently and completely performed their duties assigned by the Board of Directors. The Audit Committee held meetings with the Company's management, external auditors, and internal auditors to present information, discuss and exchange opinions in related agendas. The Audit Committee performed their duties in accordance with the established charter through internal auditors, which are directly under the committee. This allowed the Audit Committee to perform duties with independence and transparency in compliance with good corporate governance practice to protect the Company's interests and have right of access to adequate information. In 2014 there were 8 meetings, including to set meetings with the Auditors without management for 4 meetings. The Audit Committee's performances were summarized as follows:

### Financial statements

Reviewed quarterly financial statements and annual financial statements for 2014 by coordinating with auditors and considered recommendation about internal control system. The Audit Committee noted that the Company's financial reports were prepared in conformity with generally accepted accounting principles and with adequate information disclosure.

### Connected transactions

Reviewed and provided opinions concerning connected transactions or transaction that may involve conflict of interests to assure transactions' fairness and the company's best interests. The Company pursued good corporate governance practice with transparency and adequate information disclosure. The significant transaction was the consideration of the renewal of rental contract of land.

**Internal Audit**

Approved audit plan and workforces for 2014, determined adequacy of internal auditor staff development to achieve the annual audit plan, reviewed performances and recommendations of internal audit department, and monitored adjustments in accordance with recommendations. The Audit Committee concluded that the Company's internal audit process was performed with adequate independence and effectiveness.

**Good corporate governance**

Monitored dissemination of the Company's employee code of conduct, which stipulates employees of associated companies to report names of related persons that may involve conflict of interests or connected transactions to the Audit Committee every time, and inform shareholding in the Company on quarterly basis to report to the Company's Board of Directors. In 2014, there was no transaction significantly involving with conflict of interests.

**The Audit Committee performance**

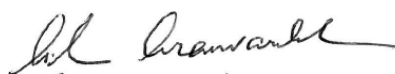
Presented the Audit Committee's performance results to the Company's Board of Directors in each board meeting. The Audit Committee made opinions and recommendations that were useful, to management, considered the evaluation results of the Audit Committee conducted by the Board for 2014, and taken the performance results into account for performance improvement.

**Auditors**

Evaluated independence of auditors and opined auditors' remuneration present to the Board of Directors and the Annual General Meeting of Shareholders 2015 for appointment auditors from EY Office Limited as the Company's auditors for 2015.

From aforementioned activities throughout 2014, the Audit Committee found that the Company's Board of Directors and the Management had implemented the good corporate governance as important policy and had conducted ethically in business with the determination in achieving best result of Company's goals professionally. The operation including the improvement of risk management and promotion of internal control for the best effectiveness as well as the handing of internal audit which was conducted independently and it's process complied to the international standards of practice through continuation of improvement of the internal audit operation process.

On behalf of the Audit Committee



Dr. Vicharn Aramvareekul  
Chairman of the Audit Committee  
24 February 2015

## Remuneration Nomination and Corporate Committee Report

The Remuneration Nomination and Corporate Committee consist of 2 independent directors and 1 director which have 1 years of term of committee and will terminate on February 4th, 2015. The members of committee are as follows;

1. Dr.Somchai Harnhiran	Chairman of the Remuneration Nomination and Corporate Committee
2. Mr.Kriengkri Rukkulchon	Committee of the Remuneration Nomination and Corporate Committee
3. Mr.Somkiat Jitvutthichod	Committee of the Remuneration Nomination and Corporate Committee

The Remuneration Nomination and Corporate Committee had 5 meeting to consider important issues as duties and responsibilities that assigned by the Board of Director.

### 1. Nomination aspect

Considering and nominate director replace the director who resign by rotation and resignation director. For nominate the director, the Remuneration Nomination and Corporate Committee consider the qualification such knowledge, abilities, skills and wide rank of experiences which has benefits for company including regard to the size, structure and the element of the Board of director properly. This to promote the good corporate governance and managed effectively, comply with the regulation of the Stock Exchange of Thailand.

### 2. Remuneration aspect

1. Consider the guidelines of director's compensation clearly and appropriately to the structure of the company.

2. Consider remuneration and welfare of the Chief Executive Officer by defining the principle assessment reflecting which is considered from achievement of operation compare with KPIs including consider the growth of sales and increasing net profit from last year.

### 3. Corporate aspect

1. To review the Charter of the Remuneration Nomination and Corporate Committee.
2. To review and update the corporate governance policy, the code of business conduct and the directors' guideline as well as public relations to the employee acknowledge.
3. To review and update the corporate governance policy of year 2014 to enhance the corporate governance standard, the standard is equivalent to the principle of global governance that was acceptable. The resulted the evaluation of CGR from "very good" by Thai Institute of Director (IOD).
4. To manage and publicize the activities of corporate social responsibility and environment, reflecting.
5. To report the activities and data on corporate social responsibility. This is one of the parts in annual report of 2014 to communicate to the stakeholders of the Company.
6. To update and review A Self-Assessment Form of the Board of Directors, the Remuneration Nomination and Corporate Committee and the Evaluation Form of the Performance of the Chief Executive Officer.

The Remuneration Nomination and Corporate Committee operated the duties as the Board of Director's assigned carefully with awareness reasonable and practice with independent without overpower from managements. In year 2013 the directors received the remuneration as shown in the subject of 2013 directors' remuneration which is considered from Thai Directors Compensation Survey Report compared with the overview of all listed companies, companies in the same industry and the company had sales and net profit close to the company. From the above reasons, The Remuneration Nomination and Corporate Committee deemed appropriate for fairness with the company and directors that correspond to the responsibility which is approve by the Board of Directors and shareholders' meeting, respectively with the benefit of the shareholders, according to corporate governance principles.



**Dr.Somchai Hanriran**

**Chairman of the Remuneration Nomination and Corporate Committee**

**8 January 2015**

## Risk Management Committee Report

The Board of Director of Pacific Pipe Public Company appointed the 3 members of the Risk Management Committee which has 3 terms of committee and the independent director is the Chairman of Committee. All committees are knowledgeable person and suitable qualification as defined in the risk management Committee Charter and the member of committees are;

1. Mr.Somkiat Jitvutthichod	Chairman of the Risk Management Committee (Appointed since 1st June, 2014)
2. MissPiyanus Chaikajornwat	Chairman of the Risk Management Committee (Resigned since 31st May, 2014)
3. Miss Viriya Ampornnapakul	Committee of the Risk Management Committee
4. Miss Thitima Vatanasakdakul	Committee of the Risk Management Committee
And MissNapaporn Pornanu Wong	is a secretary of the Risk Management Committee.

The risk management committee has duties as assigned by the Board of Directors to conduct, opine and support the management about the risk management system. Develop risk management system all over the organization, with continuous performance as well as promoted cooperation in all levels of the company. In 2014 the Risk Management Committee had 4 meeting and all of risk management committee attended in the meeting. The essence of risk management activities summarize as follows;

### 1. Corporate Risk Assessment

The company conducts corporate risk assessment in terms of strategic and operations in the year 2014 including the trend of risks in 2015 which will reflect corporate risks from top management's perspectives.

### 2. Consider Corporate Risk factors

Set the meeting of Risk Management Committee with an aim to consider and select risks factors that have an impact on company's strategies, operations, financial aspect and other factors. The consideration is based on the risk owner's opinion by focusing on effectiveness of current internal control. Then the residual risks are prioritized in overview.

### 3. Consider the Methods to Risk Response

Consider the suitability of the action plan provided by the risk owner to ensure that the risks will be well-managed and controlled in the proper and acceptable level.

### 4. Follow up the Results of Risk Management Activities

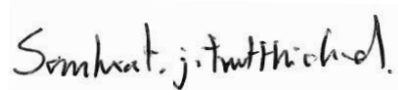
Set the Risk Management Committee's meeting to follow up progress, efficiency and effectiveness of risks management for each risk factor at different level of severity. The operation of risk management will be monitored by the Risk Management Committee and the Board of Director depending on the impact level of those risks to consider the trend of overall risks that has changed after the preparation of the risk management plan and determine ways of prevention and correction with quick response.

### 5. Business Continuous Planning: BCP

The company is concerned about an important of crisis management. Consequently, the company has managed to study and prepare Business Continuous Plan and require practice following to the plan every year.

From the business operation mentioned above, the company believes that the systematic risk management with closely monitoring all risks factors will help the organization to achieve the business plan as defined as well as create the value-added to the organization which will be sustainably transferred to both shareholders and stakeholders.

From the above operations, the Risk Management Committee believes that the risk management process systematically and closely following will help the Company to achieve the objectives of the planned business operations including creating the value added to the company and requite with the shareholders and stakeholders sustainable.



Mr. Somkiat Jitvutthichod

The Chairman of the Risk Management Committee

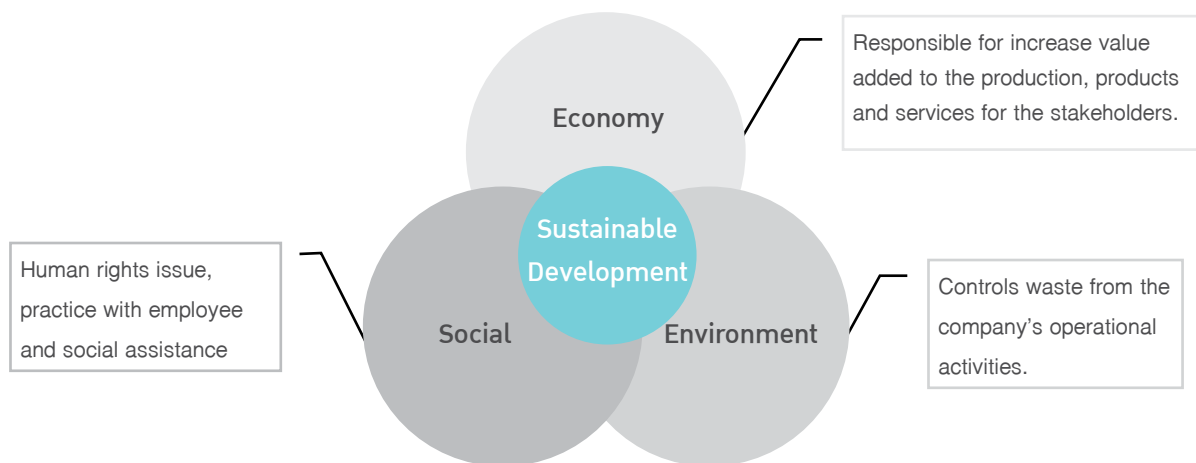
20 February 2015

## Corporate Social Responsibility

### The scope of CSR report

Pacific Pipe Public Company Limited prepares this report under the corporate social responsibility guideline of the Stock Exchange of Thailand to show the practice of business conduct and its development in order to contribute to the sustainable growth of the business. In 2014, the company had published the disclosure of the information of corporate social responsibility which intends the investors to acknowledge and understand the responsibilities of the company in every dimension such as economic, social and environment.

This paper reports the policies and practices to the stakeholders who have impacted from the business activities. On the other hand, this paper also reviews the actions of the Company responsible for the impacts in 3 parts as follows:



The scope of this report is covered the responsible of CSR-in-process which aim to proceed continuous improvement of social responsibility performance.

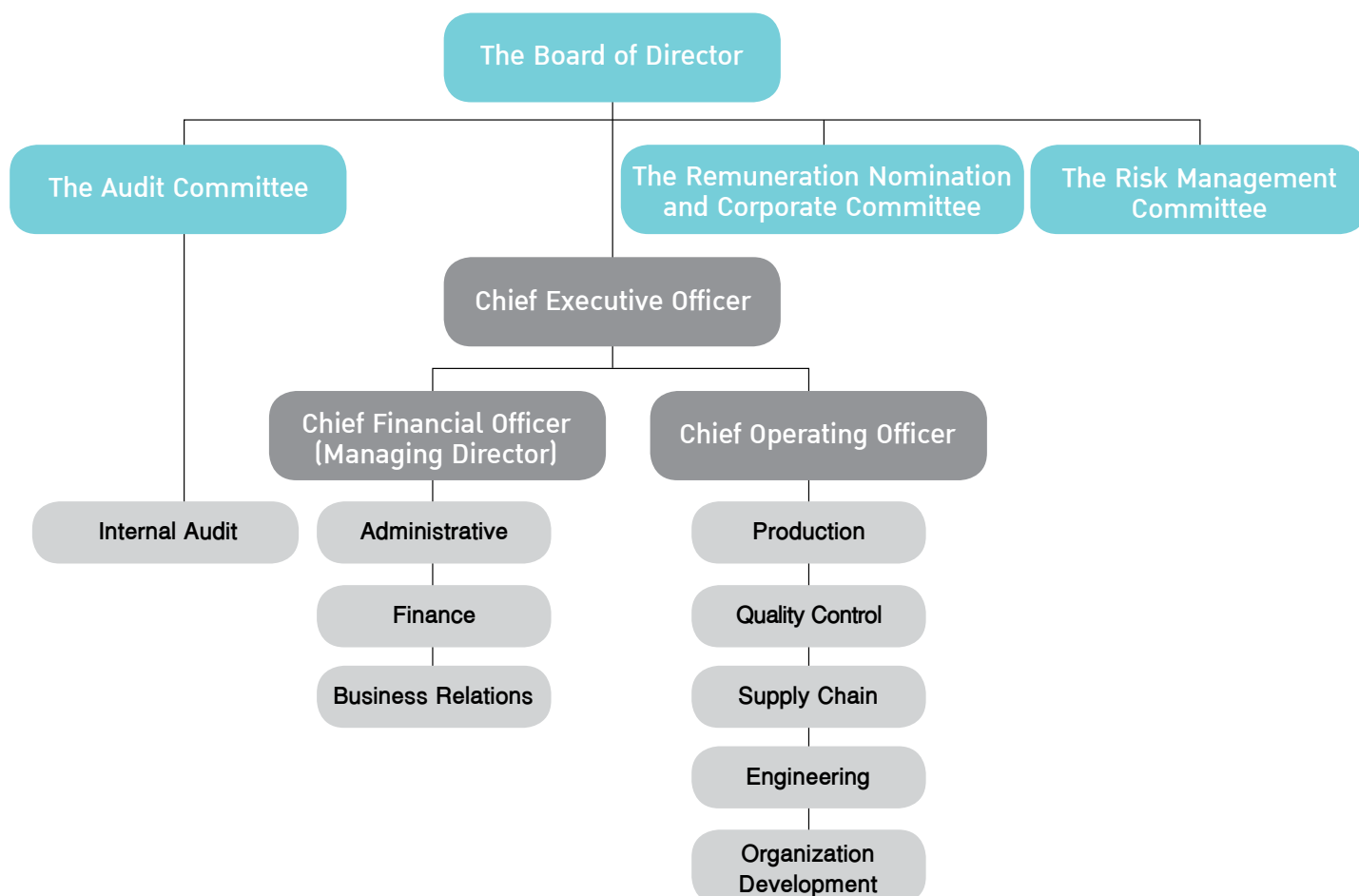
## Economic

### The Company Structure of Pacific Pipe Public Company Limited

- Type of operation : Manufacturing and selling steel pipes which registered establishment on September 19, 1991.
- The Company was converted to a public company limited as of 17 March, 2004 and securities were listed on the Stock Exchange of Thailand on 8 November, 2004.
- The Company has registered capital of Baht 660,000,000 and paid up capital of Baht 660,000,000.
- Head company is located at 298, 298/2 Moo1 Suksawad Rd., Tambol Pakklongbangplakod Amphur Phasamutchadee, Samuprakarn Province.







Total of employee  
As of 31 December 2014  
664

Net Income  
of 2014  
7,020 MB





## Business Structure

 <p><b>Pacific Pipe Public Company Limited</b></p>	 <p><b>Tamose Trading Company Limited (Subsidiary)</b></p>	 <p><b>Meesup Transport Company Limited (Subsidiary)</b></p>
<p>Manufacturer and distributor of black Steel Pipe and galvanize steel pipe</p>	<p>Sales representative Under the brand</p> 	<p>Shipping Agent</p>
<p><b>Pacific Pipe Public Company Limited</b></p>	<p><b>Tamose Trading Company Limited</b></p>	<p><b>Meesup Transport Company Limited</b></p>
<p>A manufacturer and distributor black steel pipe and galvanize steel pipe with the utilization of 350,000 tons per annum. Produced by process of Electric Resistance Welded production system (ERW) both of made to order and ready for distribution. The steel pipe can be divided as follow;</p> <ul style="list-style-type: none"> <li>• Steel pipe for general work</li> <li>• Steel pipe for construction work</li> <li>• Steel pipe for industrial work</li> </ul>	<p>The sales representative of steel pipe by selling steel pipes divided into;</p> <ul style="list-style-type: none"> <li>• For standard grade product, Tamose Trading acts as a selling agent that sells the product under the brand “” (Pacific Pipe) and receive the commission in return.</li> <li>• For commercial grade product, Tamose Trading purchase the product directly from PAP and resell it to external customers under its own brand “” (Tamose).</li> </ul>	<p>Shipping Agent</p>

## Vision / Mission / Value

**Vision** : Be the quality steel pipes leader.

**Mission** :

1. Be the company that has the innovative production, distribution and on time delivery as customer requirement and in a competitive price.
2. The company aims to develop personnel and modern technology, innovative management as the result of intention, expertise and team working of personnel at all level.
3. Participate in economic development, society and environment of the country.
4. Develop valuable business to sustainable yield to stakeholders.

Value :

F

Focus on Customer

A

Achievement Orientation

S

Share for Knowledge Management

T

Teamwork

## Business Strategy for Sustainable Business

### 1. Produce quality products and conformed to standards and expand customer base.

Pacific Pipe Public Company Limited has been in business as a quality pipe manufacture for more than 35 years. The company conducts the business based on the principles of quality pipe production, on-time delivery, and continuous improvement on logistics to support market expansion including promotion of “Pacific Pipe Brand”



to become well-known in the markets.

### 2. Continuous Improvement of Internal Processes

The company has been highlighted on an improvement and development of systems and internal processes to catch up changes in current situations and encourage employees to gain continuous learning including knowledge transferring in the organization.

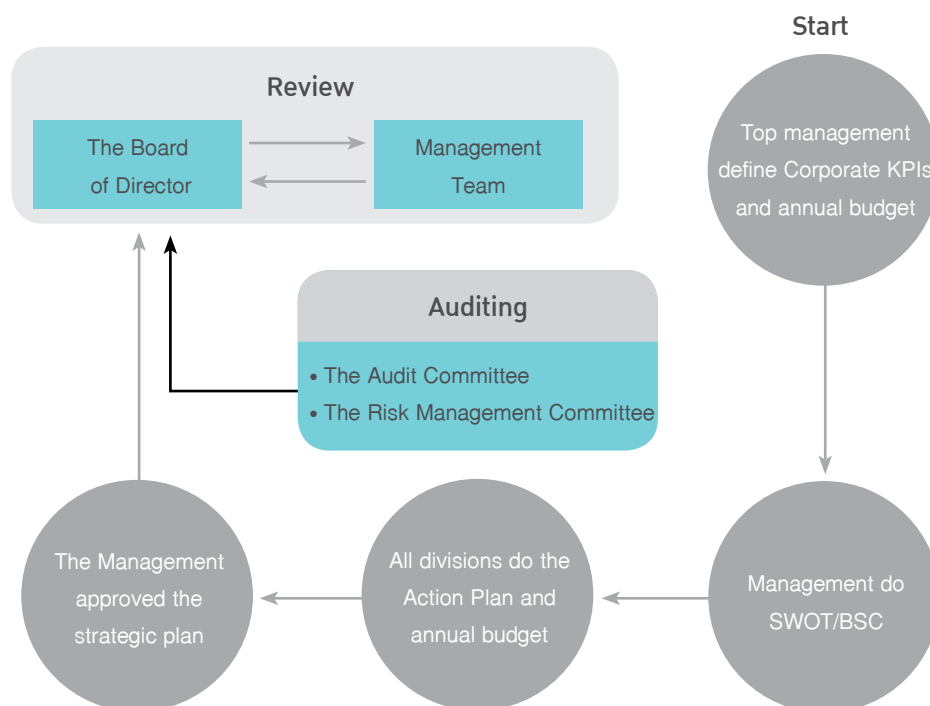
### 3. Conduct the Business under Good Governance

The company conducts the business under good corporate governance by disclosing information to investors and stakeholders with transparency and accountability. The company communicates through various channels including an intranet system used for communication with employees so they acknowledge and understand the company's policy regarding good corporate governance. Another channel of communication is to reveal information on company's annual report and website to be assured that the same messages have been released to investors and stakeholders.

## Corporate Governance

The Company director consists of 11 persons divide to 7 independent directors, 3 executive directors and 1 non-executive director. There are 3 female directors. The structure of the company's director supports the balance of authority with management and be able to verify the transparency of investigation in each transaction that may cause a conflict of interests, to ensure that the company complies with legal, regulation, article, the shareholder's resolution and the corporate governance policy, responsible and disclosure to the public properly, timely and transparency.

The management team develops the strategic plan aiming to achieve the corporate target with budgeting management including define the vision and mission then present to the Board of Director for consideration and give the opinions.



The corporate KPIs and budget are defined by the top management, then assign to all divisions for preparing the action plan and budget which is approved by the Board of director and management.

During the year, the internal audit will monitor, review, and follow up the Business plans from the management team and propose to the Audit Committee. Moreover, the management team shall set the meeting to consider the possible to achieve the target under the volatility of business economic, review the plan and report to the Board of Director.

For the risk management, each risk owner will prepare risk assessment and the action plans to minimize the risk and propose to the Risk Management Committee. The Risk Management Committee has the obligations to monitor the progress of the action plan and report to the Board of Directors.

The Working Team who responsible for the corporate social responsibility activities consists of marketing division, human resource division, and investor relation division. This working team will prepare action plan/activities for proposed to the Remuneration Nomination and Corporate Committee.

## Social

### The Code of Business Conduct and Ethics

The company adopts and commits to operate the business with the best practice of the code of business conduct and ethics which will be used as the guidelines/manual for personnel practice to create the values and principles of the company's business to the stakeholders.



Stakeholders	Practice with stakeholders
<b>shareholders</b>	<ul style="list-style-type: none"> <li>• All employees are committing to work with their full effort to achieve the goals and prove their potential via good performance, sustainable growth, and resulting in increasing the investors' confident and well worth to invest.</li> <li>• Publishing the information to shareholders must be based on truth, transparency and equality.</li> </ul>
<b>Customer</b>	<ul style="list-style-type: none"> <li>• Ensure Customer satisfaction by deliver products with finest quality under standard price that is fair to both parties.</li> <li>• Providing the channel for customer to complaint regarding to quality, quantity, for both product and services.</li> </ul>
<b>Competitor</b>	<ul style="list-style-type: none"> <li>• Conduct under the fairness rules of the competition by not distorts information, untrustworthy or any other unfair method of trade.</li> <li>• Not seek for the confidential trade information of competitors in any dishonest or inappropriate way</li> <li>• Do not damage the reputation of competitors with malicious accusation. Do not attack your opponent without sensibly.</li> </ul>
<b>Trade Partner</b>	<ul style="list-style-type: none"> <li>• Giving Information to traders with equally legitimate and non-discriminatory bias.</li> <li>• The Company must conduct to trader partner in good faith according to the contract and ethic.</li> <li>• The process must be able to monitor for achieving transparency and maximum benefits.</li> </ul>
<b>Employee</b>	<ul style="list-style-type: none"> <li>• To give the fair salary with appropriate duties and responsibilities.</li> <li>• Focus on development and provide training to educate employees and also continuous develop the potential of employees for their carrier path.</li> <li>• Implement fairly on the principles of human rights and emphasize on safety of the employee.</li> </ul>
<b>Community and Social Responsibilities</b>	<ul style="list-style-type: none"> <li>• Nurture an awareness about the responsible of social and environment to the employee. Starting from awareness of saving world energy and utilize resources.</li> <li>• Provide methods to prevent the accident and control the waste into the accepted standard level.</li> <li>• Provide assistance in various forms such as donation.</li> </ul>

## Practice for stakeholder

Stakeholder	Communication process	Expectation	Response
Shareholder	<b>Activity :</b> <ul style="list-style-type: none"> <li>Site visit at Mahachai 2 which is a plant for produce large steel pipes.</li> <li>Attend Opportunity Day Activity.</li> </ul> <b>Communication Channels :</b> <ul style="list-style-type: none"> <li>Annual Report, Minutes of shareholders and website</li> </ul>	<ul style="list-style-type: none"> <li>Continually growth of the Company.</li> <li>Disclosure information with accountability, transparency and up to date.</li> </ul>	<ul style="list-style-type: none"> <li>Dividend Payment</li> <li>Practice with shareholder equally.</li> <li>Practice complies by the good corporate governance policy of the Company.</li> </ul>
Employee	<b>Activity :</b> <ul style="list-style-type: none"> <li>Happy Family PAP Day</li> <li>Annual health check of employee</li> <li>Sport Tournament e of each plant</li> <li>Employee relation activity to relaxing from work stress.</li> <li>Training and develop competency.</li> </ul> <b>Communication Channel :</b> <ul style="list-style-type: none"> <li>Intranet, Facebook, Publication board of each plant.</li> </ul>	<ul style="list-style-type: none"> <li>Good relation with college and company.</li> </ul>	<ul style="list-style-type: none"> <li>Number of employees who attend the activity.</li> <li>Employee satisfaction.</li> </ul>
Customer / Marketing Activities	<b>Activity :</b> <ul style="list-style-type: none"> <li>Seminar for customers <ul style="list-style-type: none"> <li>- Trader Group</li> <li>- Contractor Group</li> </ul> </li> <li>Site Visit for <ul style="list-style-type: none"> <li>- Customers</li> <li>- Senior university student</li> </ul> </li> <li>Educate to civil engineer university student</li> </ul> <b>Communication Channel :</b> <ul style="list-style-type: none"> <li>Intranet, Website</li> </ul>	<ul style="list-style-type: none"> <li>Giving the information of products and new products of the Company.</li> <li>To create the customer confident in company's products.</li> <li>To learn the process of production. This to publish the Company's brand and senior student interesting in company business.</li> </ul>	<ul style="list-style-type: none"> <li>Acknowledgement of product by customers and order the products.</li> <li>Create customers' confident in products and order products.</li> <li>The university students see the potential of the Company, and want to work with the Company when they graduate.</li> </ul>
Supplier	Relationship Management with suppliers <b>Communication Channel :</b> Email, Procurement officer Tender documents	<ul style="list-style-type: none"> <li>Procurement process is in accordance with the terms and conditions of trade.</li> <li>Provides information to suppliers equally with all suppliers to offer the accurate price and corresponding criteria.</li> </ul>	<ul style="list-style-type: none"> <li>In accordance with the terms of procurement and strictly commercial terms.</li> </ul>
Competitor	<b>Communication Channel :</b> Website	<ul style="list-style-type: none"> <li>Free competition and Marketing activities fairly.</li> </ul>	<ul style="list-style-type: none"> <li>Operates with transparency under trade and compete fairly.</li> </ul>

## Process of Risk Management

Board of Directors nominates Risk Management Committee to define and propose corporate risks to Board of Directors. Every department in the organization owns risks and is responsible to propose risk management plan to manage risks in the department then propose to Risk Management Committee. Risk Management Committee manages to follow up progress and performance to report to Board of Directors.

## Practice of labour and human rights

The Company respects human rights and operating correctly according to the law and defines the human rights of stakeholders in corporate governance policies of the company. Including define policy and procedure of whistle blowing and set the committee to investigate the fact to correct.

## Care and Treat employees

The company believes and recognizes the importance of employee that is a factor to drive the Company to the goal. The Company is operating and planning process since recruitment, retain and develop employee to have knowledge, skills, and abilities according to the Company expectations under the Company's corporate value which are orientation achievement, teamwork, customer focus, and Knowledge Management in order to drive company into the same direction and achieves the Company's goals.

## Operation guidelines for human resource management

Organizational Structure and manpower	Recruit and selection method	Promote and develop employee	Manage fair compensation system	Support employee relation activities
Design organization structure which is suitable for job.	Develop processes, tests and interviews to applicants who have qualifications that the Company required.	Select the appropriate tools for properly develop employee skills such as manpower planning, Individuals Development Program (IDP), develop the skills that necessary to work.	Provide clearly salary structure in accordance with the labor market, and jobs with the compensation for both finance and non-finance by using job assessment.	Employee relation activities are supporting the employee performance which has balance between working and relationships of colleague and also to the management team.

## Employee

Recruit, promote and coach employees to has a good ethics.	
<ul style="list-style-type: none"> <li>Recruit employee who suited for the job</li> <li>Train and develop employee's potential</li> <li>Encourage employee leadership</li> </ul>	<ul style="list-style-type: none"> <li>Perform comply with the good corporate governance of the Company</li> <li>Be a person who has good ethic and code of business conduct.</li> <li>Anti-corruption</li> </ul>
Recruitment and development process	Compliance with corporate governance policy, ethic and code of business

### Employment Info

- At December 31, 2014, the number of employees is at 669 employees who are Thai nationality at age over 18 years old. The average age is 33 years old and the average year of service is 5 years. There are 521 male employees and 143 female employees.
- There is no child labor or illegal employment.
- The company treats all employees with equity and fairness in terms of gender, nationality, religion and cultural diversity.

### Employee Resourcing

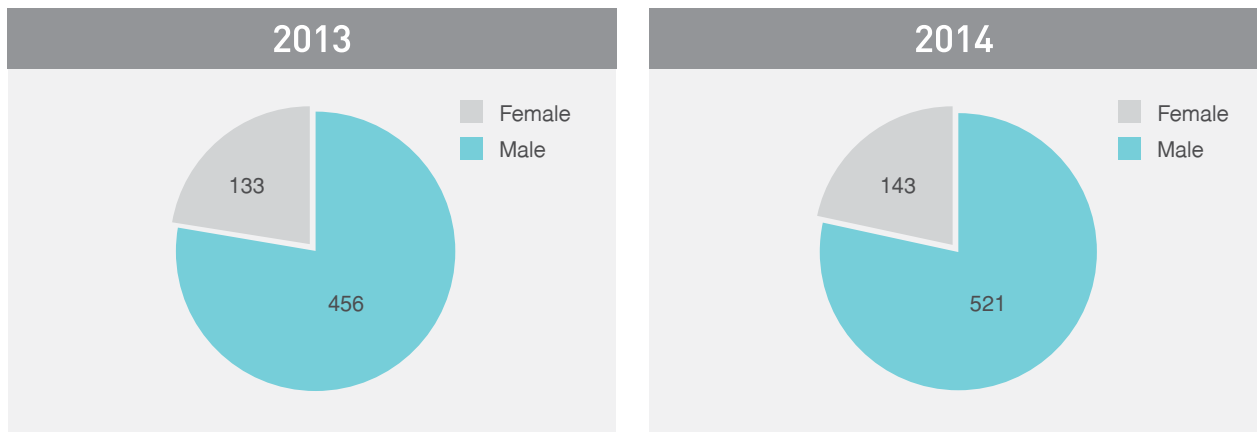
#### 1. Manpower Planning

Manpower planning of a strategic plan (Strategy Map) plan by using the Balanced Scorecard (BSC) as a tool in determining a strategy clearly. Therefore, all divisions must be considered appropriated manpower to fit the company's goal. Then human resource division will review and consider the appropriated workload for employee's productivity.

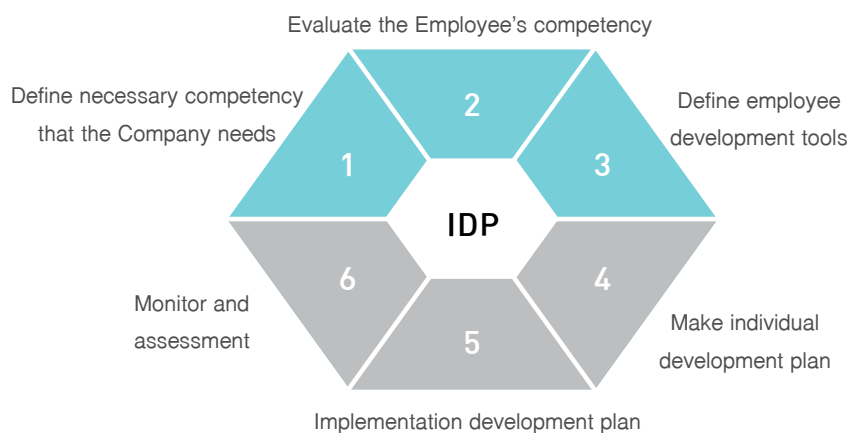
#### 2. Recruitment

The recruitment process for each qualified candidates must be consider from the application. Then the applicant request to do the test which have 3 types: general knowledge, knowledge about a task in itself and personality quiz. The final step is an interview by the manager and human resource representative.



**% Growth Rate of Employee****3. Training****Training Road Map (TRM)**

Human resource division is planning the training course by cooperate with each division to establish an internal training course curriculum and searching from external institutions. Each division will have to consider the individual development plan and human resource division define the scope of the consideration of training plan to the manager of each division. The process of individual development plan is as follows:



The result of the gap analysis will be taken as information in employee development by using various tools, such as training, coaching, on the job training, mentor, media training and gap close competency to employee have knowledge, skills, and abilities according to the Company expectations.

In summary, on the Year 2014, Employees have an average training of 4.33 hours by each person.

#### **4. Reward Management**

Company uses the compensation management policy as the primary tool for recruiting and retaining employees in both of money and non-money through various activities. The compensation in money will be result in the well-living of employees and revenue growth by using job assessment which has the KPIs as a result of indicators and offer to promote position by examination. For the compensation in non-money form will be encourage employees in career path, knowledge, skills on the job responsibilities through training activities both internal training and training with external institutions. Providing an appropriate environment is another aiming for working atmosphere including the employee relations activities between employees and the Company. These activities make employees relax from work such as sports day, seminars, outing, Thai cultural conservation activities, etc.

#### **5. Career Management**

The company provided the planning process and guidelines to bring potential of employees for their performance appropriately. To support the performance of their jobs and promote employees have advancement in career.

##### **1) Career Path**

Provide the career path of the employee thoroughly and fairly in each position by considering the difficulty-easy of the job includes breakdown of skill level in each position and plan salary structure.

##### **2) Promotion System**

After an employee passed the training course eg development of knowledge, skills and abilities, the Company will set up the promote contest by testing all the skills that the company defines for that position.

#### Successor plans

To searching successors, the Company offers the opportunity to the internal person first. However, if there is no appropriated candidate, the new recruitment will be applied. Because the company agrees that the successors must be person who have knowledge, abilities, experience and understand the company's business, also the company's culture and be honest and good ethics. The Company will assign a task with challenges and evaluation of performance. Moreover the successor must study and perform other jobs in the Company to develop leadership skills and knowledge in all jobs.

### **6. Employee Relation**

Employee relations activities, starting from the first working day until the resignation for example, employment contracts, job assignments, welfare, safety in the workplace, promote position, annual raising salary, the agreement on conditions of employment and activities to develop and promote employee relations, etc.

#### **1) Employee relation activities**

For supporting employee performance and balancing while employee's working. Human resources division provides variety of activities and different purposes.

Employee relations activities may be faced a problem of not cooperates in activities of employees. Therefore, human resource division offers employees defining the scope of activities. Unless this way meets the employee need, it may affect the feeling of employee to join the activities.

The results obtained from activities not only improve employee, but employees also join activities to make the relation between colleagues. Moreover achieve good cooperation which is driving the Company's growth firmly.

## 2) Communication

Public relation whether the activity or understanding the information, new regulation or adjustment, the Company provides various communication channels due to the employee needs the communication channel that are different because some employee work at plant such as production and some employee work at office. This is to provide all employees understand in the same details through the communication channel such morning talk (Communication with employees at the plant every morning before work hours.), company intranet, board releases at all plants and E-Smart ISO.

### Employee Relations Activities in 2014

Activity	Execution	Expected Results	Results
1. Sports Tournament	Make an arrangement for different kinds of Sports Tournament within the plants.	To achieve employee's satisfaction in the activity and provide entertainment and relaxation from work to employees. Also, employees get a chance to join in activity with their colleagues. This will lead to	In 2014, the average percentage of employee's satisfaction is at 85.28%
2. Happy workplace	To make the good relationship in every department.	relations building among colleagues and create good relations between employees and organization. In addition, to reinforce positive attitudes in terms of organization, colleagues and superiors. Joining the activity helps encourage employees to effectively work together as teamwork and willing to put more efforts to support the organization to move forward.	
3. Team Building	Set activities: Team Building for employee to share opinion and ideas.		

## Social Responsibility

Activities	Execution	Results
Give support to community by distributing structural pipes to be used in the renovation of Prasamutjadee Provincial Police Station, an area for relaxation for member of the community.	The activity is focused on public interests of community and reward to society.	Create good image of the organization.
Help and enhance the communities which are located next to factory areas.	The company managed to set up lights along the factory's wall which is situated at area of Kobe Community. Having sufficient lights in the area will help CCTV operate more effectively.	Create good and long-term relations between community and the organization.
Factory visit from University/Collages students	The company is opened to frequently welcome group of teachers and students from University/Collage to visit the factories.	<ol style="list-style-type: none"> <li>1. Build networking or connection between the company and educational institutions.</li> <li>2. Students got benefits by learning from the real process of work and production.</li> </ol>
Stationery charity for students in Children's Day	The company promoted this activity by persuading employees to donate and give out stationery and presents to students in several schools that are close to factory area in Children's Day.	Cooperation and public consciousness from the employees.
Give equipment and supplies to support the needs of community and society.	The company places important to social responsibility and underprivileged by giving unused equipment and supplies to related parties so they can make use of these materials for the benefits of society.	<ol style="list-style-type: none"> <li>1. Create good image between communities, temples and the company in terms of social responsibility.</li> <li>2. Generate income from computer supplies and arrange donation to communities and temples.</li> </ol>



## The Environment and Security

### Management of Safety, Health and Environment in Workplace

The company focuses in management of safety, health and environmental concerns in workplace to have confidence from other related parties that the company, as manufacturing black and galvanized steel pipe, provide services and create activities that enhance labor's standards and quality of life for employees in terms of safety, health and work atmosphere that is not harmful to both body and mind. Also, we treat our employees with fairness as stated by labor law.

To emphasize an intention to continue the safety, health and environmental concerns, the company has announced one of the national agenda declared by government "Safety Labor and Good Health" as company's policy and defined mission as below:

1. The company supports and promotes the management of safety as stated by law to control and reduce risks that are the cause of danger in workplace.
2. The company supports and encourages employees to have good health by setting up projects or campaigns for good health and happy work place.
3. The company supports resources and creates awareness regarding safety including distribution the safety law to employees and others concerned parties.
4. The company supports and promotes to reduce number of accidents to become zero and records number of accidents that result in severe injury and not severe injury to be 30% reduction comparing to previous year.

Safety, health and environmental policies must be strictly taken into action. These policies have to be maintained and improved by management level and communicate top-down to all level of employees in the organization to understand and implement the policies.

### Safety, Health and Environment Committee

The committee has duty to perform responsibility stated by law. The committee is composed of 50% of employee representatives who coordinate with subcommittee in monitoring safety in operation.

### An Execution on Safety and Environment

The company manages to take care of safety and environmental issues in operation for employees by providing knowledge and creating campaigns as follow:

Activities & Campaign	Goals & Expectation	Result
1. "Pacific Pipe.....Excellent Employees" is the campaign that encourage employees to dress properly according to the rules, behave well and always put on PPE while working.	<ul style="list-style-type: none"> <li>To build leadership for the position of supervisor, foreman and engineer</li> <li>To build teamwork</li> <li>To define roles of SHE officer, safety officer and supervisor</li> <li>To give rewards for the employees who are well-behave in terms of time management and dressing at work</li> <li>To decrease accidents during work</li> <li>To underline intention and mission of management level regarding safety concerns.</li> <li>To stimulate and emphasize on safety awareness</li> <li>To inspect if employees follow the rules and regulations or not</li> <li>To create conscious mind of employees</li> <li>To support coordination and participation from line workers.</li> </ul>	<ul style="list-style-type: none"> <li>According to random inspection, employees follow the rules of dressing with PPE. This reflects their understandings and acceptance in rules and regulations with safety awareness to prevent and avoid the danger.</li> </ul>
2. Set up training course for employees to understand and perform their tasks correctly and safely	<ul style="list-style-type: none"> <li>An decrease in the number of accidents after attending the training course</li> <li>To search for unsafe work procedure and inappropriate behavior at work.</li> </ul>	<ul style="list-style-type: none"> <li>The number of accidents decreases and reach the defined target</li> </ul>
3. Workplace Safety Inspection	<ul style="list-style-type: none"> <li>To look for unsafe work condition, procedure or improper at workplace as an intention and mission of management regarding safety concerns.</li> <li>To stimulate and emphasize on safety awareness and danger at workplace.</li> <li>To inspect and evaluate safety according to law and to make sure that employees follow the rules and regulations regarding safety issue.</li> </ul>	<ul style="list-style-type: none"> <li>An assessment performed by safety officer, safety executive and safety supervisor.</li> </ul>
4. Fire Protection and Prevention Training	<ul style="list-style-type: none"> <li>To inspect working areas to prevent the fire danger that could happen.</li> <li>To prepare employees to handle the situations in both factories and accommodation. When employees have passed training and practice from professionals, they are able to cope with situations without getting too nervous.</li> </ul>	<ul style="list-style-type: none"> <li>During the training, employees can deal with the situation properly and correctly.</li> </ul>

### Waste Management from Production Process

(Samutsakorn Industrial Estate 1,2 or PM1, 2)

In terms of waste management from production process, the company divides the operation into two schemes as follow:

1. The company employs waste disposal service provider to collect the wastes such as wastes from water treatment system etc. from Samutsakorn Industrial Estate Plant 1 or PM1

Since the hot dipped galvanized process uses water as main component, it is substantial to have water treatment system to reuse and release waste water to wastewater treatment pond located in the Industrial Estate. The company must control the waste water treatment to be at standard rate Also, there is a daily inspection from the Industrial Estate before the waste water is allowed to release to the pond. Then the waste water in the pond will enter another treatment process prior to releasing outside the Industrial Estate.

2. The company manages to sell scraps such as scraps from slitting process which come from Samutsakorn Industrial Estate Plant 2 or PM2

### Measurement of Contaminants

At Samutsakorn Industrial Estate Plant 1 or PM1 which operates hot dipped galvanized process, there is hot dipped galvanized furnace that utilizes fuel oil and boiler generated by coal. In order to control environment inside the plant and surroundings, smoke prevention is implemented by using wet scuber before releasing outside the plant. Moreover, there is hood to control at the standard level as stated by law and defined by Samutsakorn Industrial Estate. The details are as follows;

2014			
	Measuring Items	Measuring Items	Measuring Items
The release from the boiler chimney	1.The opacity of the carbon	5	10
	2.Total Suspended Particulate	181.20	320
	3.Sulfur dioxide	151.66	700
	4.Nitrogen dioxide	53.40	400
	5.Carbon monoxide	389.11	690
The release from the Galvanize boiler chimney	1. The opacity of the carbon	5	10
	2.Total Suspended Particulate	81.66	320
	3.Sulfur dioxide	152.40	700
	4.Nitrogen dioxide	2.20	400
	5.Carbon monoxide	171.60	690

**Note:** Refer to the measuring result of C.E.M Technology (Thailand) Company Limited which is an inspector.



## Report on the Responsibility of the Board of Director for the Financial Report

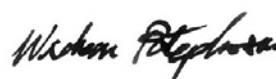
The Board of Director is responsible for financial reports of the Company and its subsidiaries and place importance policies on the Company's activities comply with good corporate governance policies. This to ensure the financial report of company and its subsidiaries and other financial information are accurate, complete and accordance with generally accepted accounting principles by choosing accounting policies and/or practices that are appropriate and comply regularly. Discretion carefully in the budget accounts to provide reasonable including important information is sufficiently disclosed and audited by an independent certified public accountant that expresses an unqualified opinion.

The Board of Director provides an appropriate and efficient internal control system to ensure the financial information is accurate, complete and adequate for maintain on assets along with preventing corruption or malfunction with pivot. In this regard, the Board of Director has appointed an Audit Committee to serve as a review an appropriate and effective the internal control system and internal auditing.

The financial statement of the Company and the consolidated financial statements of the Company and its subsidiaries have been examined by an external audit, EY Office Limited (Ernst & Young Office Limited). To conduct the audits and express an opinion in accordance with generally accepted auditing standards, the auditor was provided all of the Company's record and related data as requested. The auditor's opinion is presented in the auditor's report included in this annual report.

The Board of Directors believes that the Company's overall internal control system has functioned at a satisfactory level and rendered credibility and reliability to the financial reporting of the company and its subsidiaries for the year ended December 31st, 2014 with reliability, using generally accepted accounting principles and operating correctly according to the relevant law and regulations.

Pol.Gen



(Wichean Potephosree)

Chairman

## Management's Discussion and Analysis of Financial Condition and Results of Operations

### 1. Overall Results of Operations

The Company encounters the fluctuation of the domestic steel price during the year 2014 after one of Hot Roll Coil manufacturer request the government to announce safeguard measure since year 2013. The global steel price was on declining trend. The government spending in mega projects not yet been drawn which effect to domestic steel consumption slow down. Therefore, the company revenue was Baht 7,019.95 million which decrease 6% from last year. This is the first time ever that the company's revenue drops. Net profit was Baht 181.08 million, decreased 55.54% from last year that effect from declining trend in global steel price as mention earlier.

### 2. Results of Operations for the year 2014

For fiscal year ended December 31, 2014, the Company reported the sales and service income of Baht 6,849.02 million, which decreased from 2013 of Baht 428.97 million or decreased 5.89%. The Company had net profit of Baht 181.08 million or 2.64% of Sales and service income. Earnings profit per share (EPS) of Baht 0.27

Gross Profit Margin of the Company for fiscal year ended December 31, 2014 is 8.92% which decreased from 2013 of 12.81%. This is due to the declining trend of global steel price. The Net Profit on Total Revenues for year 2014 is 2.58% while year 2013 is 5.44%.

#### Revenues

In 2014, the Company reported the sales and service income Baht 6,849.02 million which was 97.57% of total revenue or decrease 5.89% from year 2013. This sales revenue could be categorized into domestic and export sales of Baht 6,632.78 million and Baht 124.38 million or accounting for 98.16% and 1.84% respectively. The total revenue of the Company decreased from Baht 7,470.80 million in 2013 to Baht 7,019.95 million in 2014 or decrease 6.03%.

Revenue breakdown by customer group show in table below, Contractor amount of Baht 645.32 million was high growth rate customer group in year 2014, growth Baht 23.97 million from year 2013 or growth rate 3.85%

Revenue from Sale	2012		2013		2014	
	Million	%	Million	%	Million	%
1. Trader	5,893.52	83.02	5,907.70	81.17	5,545.50	80.96
2. Contractor	424.86	5.98	621.35	8.54	645.32	9.42
3. Industrial	677.93	9.55	646.37	8.88	518.48	7.57
4. Other	40.02	0.56	30.95	0.43	47.86	0.69
Total Revenue from Sale	7,036.33	99.11	7,206.37	99.02	6,757.16	98.56
Service Income	62.77	0.89	71.62	0.98	91.86	1.34
<b>Total Revenue from Sale and Service</b>	<b>7,099.10</b>	<b>100.00</b>	<b>7,277.99</b>	<b>100.00</b>	<b>6,849.02</b>	<b>100.00</b>

### Cost of sales and service

In 2014, the Company reported cost of sales and service of Baht 6,394.22 million or 93.36 % of sales and service income compare to year 2013 of Baht 6,523.83 million or 89.67% of sales and service income. The cost of sales and service portion to sales and service income increased from year 2013 because the company cannot import raw material from overseas according to the Government announces Safeguard on imported Hot Roll Coil and the declining trend of global steel price. Therefore, the company has loss on reduction of inventory to net realizable value during the year 2014 amount Baht 53.91 million while year 2013 was Baht 4.80 million

### Selling and administrative expenses

In 2014, the Company reported Selling and administrative expenses of Baht 347.76 million, which decreased from 2013 of Baht 12.32 million or decreased 3.42% according to sale declining from year 2013.

### Net foreign exchange loss

In year 2014, the Company reported net foreign exchange gain of Baht 0.44 million while year 2013 the Company reported net foreign exchange loss of Baht 24.50 million. This is due to the fluctuation in exchange rate and the import raw material quantity decrease.

### Other expenses

In 2014, the Company reported finance cost of Baht 51.66 million, which decreased from 2013 of Baht 3.37 million or decreased 6.12%. As the result of decreasing in interest rate of Commercial Bank.

## Return on Equity

In 2014, the Company had net profit of Baht 181.08 million. The return on equity was 8.37% which decreased from return on equity 18.14% in 2013. As a results from net profit decreasing from year 2013 as described in Results of Operations above.

## Financial Position

### Assets

#### *Total assets*

At the end of year 2014, the Company had total assets of Baht 4,000.96 million, which increased from 2013 of Baht 546.08 million or increased 15.81% according to the increasing in inventory and cash on hand.

#### *Account receivable*

Account receivable in 2014 was Baht 578.92 million, which decreased from 2013 of Baht 19.13 million or decreased 3.20%. Account receivable aging show as table below.

(Unit: Million Baht)

Aged on the basis of due dates	2012	2013	2014
Not yet due	449.78	406.62	415.79
Past due			
Up to 3 months	138.22	191.12	134.36
3 - 6 months	2.06	-	16.16
6 - 12 months	8.82	-	13.66
Over 12 months	24.29	23.42	23.41
<b>Total</b>	<b>623.17</b>	<b>621.16</b>	<b>603.38</b>
Less: Allowance for doubtful debts	(23.44)	(23.10)	(24.46)
<b>Total trade receivables - net</b>	<b>599.73</b>	<b>598.06</b>	<b>578.92</b>

#### *Inventory*

As at 31 December 2014, the Company had an inventory of Baht 1,574.63 million, which increased from year 2013 of Baht 181.84 million or increased 13.06%. Average Day Sale of the Company in year 2014 and 2013 were 85 days which still in line with the Company's inventory management policy.

#### *Property, plant and equipment*

As at 31 December 2014, the Company had Property, Plant and equipment of Baht 1,452.54 million, which increased from year 2013 of Baht 343.76 million or increased 23.66%. This is because the Company invests in new plant at Mahachai to increase production capacity.

*Liquidity*

The Company's current ratio 2014 and 2013 were 1.66 and 2.13 respectively, while its cash cycle ratio in 2014 and 2013 were 46 and 34 days respectively. In terms of debt service capability, the Company's interest coverage ratio at the end of 2014 and 2013 were 5.35 and 10.18 respectively.

During the year 2014, the company had Cash Flow from operating activities used in Baht 27.81 million because the company has net profit from operation decreased from last year and cash used for inventory buying, please see more details in cashflow statements as table below.

(Unit: Million Baht)

Cash Flow	2012	2013	2014
From Operating activities (used in)	(92.07)	1,235.47	(27.81)
From Investing activities (used in)	(66.74)	(131.31)	(441.39)
From Financing activities (used in)	297.16	(1,093.95)	503.23
Net increase in cash (decreased)	138.35	10.21	34.03

**Source of Funds***Liabilities*

As at 31 December 2014, the Company's total liabilities was Baht 1,838.49 million or increased Baht 629.01 million from year 2013 because

1. As at 31 December 2014, the Company's short-term loan from financial institutions was Baht 1,390.04 million or increased Baht 564.52 million from year 2013. This is according to the increasing inventory from last year.
2. The long-term loan amounting Baht 201 million is for invests in new plant at Mahachai which is unsecured. However, the long-term loan agreement of the Company contains covenants and maintains certain financial ratio as in agreement. (Note to financial statements no. 16)

*Long-term Loan*

As at 31 December 2014, Long-term loan represents that the Company has borrowed from a commercial bank, carrying interest at rate of MLR-2.4 percent per annum. This loan is unsecured and due for repayment in January 2016. (Note to financial statements no. 16)

As at 31 December 2013, Long-term loan represents that the Company has borrowed from Tang Mong Seng Holding Company Limited, carrying interest at rate of MLR-1.5 percent per annum (MLR of a commercial bank). This loan is unsecured and due for repayment in July 2018. (Note to financial statements no. 6)

*Shareholders' Equity*

The shareholders' equity of the Company was Baht 2,162.46 million as at 31 December 2014, which decreased of Baht 72.93 million from 31 December 2013 or decreased 3.25%.

*Capital Structure*

The debt to equity ratio at 31 December, 2014 and 2013 were 0.85 and 0.54 respectively. The reason of increasing in the debt to equity ratio is described in Liabilities above.

*Commitments*

The company had operating lease commitments in respect of the lease of land and motor vehicles with related parties and other companies. The terms of the agreements were generally between 3 to 11 years. During the year 2014, Pacific Pipe Public Company Limited has renew Land Rental of Distribution Center at Bang na - Trad km.29 from A Group of persons by Mr. Prayoon Lekapojpanich period 11 year from 1 September, 2014 to 31 August 2025. Please see more details in "Connected Transaction".

### 3. Factor impacts to the future operational results

#### **Risk associated with the reliability on major steel producers**

The company purchased Hot Roll Coil mainly from domestic supplier because may factor such as Regulations for importing 21 bis, the Ministry of Commerce has extended the effectiveness of the Anti-Dumping duties on imports of hot-rolled steel from 14 countries and also imposed the Safeguard Measure (SG) on imported Hot Rolled Alloyed Steel Products. The company relies on only three domestic hot-rolled steel coil producers which are Sahaviriya Steel Industries Plc., G Steel Plc. and GJ Steel Plc., when their business of policies change, it might impact to the raw material supplies of the Company. Therefore, the company are closely monitor in production and raw material planning in advance.

For more risks that impact the operational results of the company, please see in headline "Risk Factor"

## Independent Auditor's Report

To the Shareholders of Pacific Pipe Public Company Limited

I have audited the accompanying consolidated financial statements of Pacific Pipe Public Company Limited and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2014, and the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and have also audited the separate financial statements of Pacific Pipe Public Company Limited for the same period.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pacific Pipe Public Company Limited and its subsidiaries and of Pacific Pipe Public Company Limited as at 31 December 2014, and their financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.



Chonlaros Suntiasvaraporn

Certified Public Accountant (Thailand) No. 4523

EY Office Limited

Bangkok: 24 February 2015



## Statement of financial position

Pacific Pipe Public Company Limited and its subsidiaries

As at 31 December 2014

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Assets					
Current assets					
Cash and cash equivalents	7	331,679,384	297,646,253	184,440,958	194,660,553
Trade and other receivables	8	578,920,221	598,054,239	542,060,124	551,141,342
Inventories	9	1,574,628,949	1,392,786,704	1,558,551,799	1,373,078,619
Advance for raw material	10	3,224,277	15,954,690	3,224,277	15,954,690
Other current assets		19,928,638	4,985,383	18,941,543	4,189,859
<b>Total current assets</b>		<b>2,508,381,469</b>	<b>2,309,427,269</b>	<b>2,307,218,701</b>	<b>2,139,025,063</b>
Non-current assets					
Investments in subsidiaries	11	-	-	11,996,100	11,996,100
Property, plant and equipment	12	1,452,537,161	1,108,782,067	1,412,353,818	1,069,889,503
Intangible assets	13	31,849,683	32,555,530	31,792,414	32,482,722
Deferred tax assets	20	8,064,297	3,984,930	3,864,837	-
Other non-current assets		125,127	125,127	-	-
<b>Total non-current assets</b>		<b>1,492,576,268</b>	<b>1,145,447,654</b>	<b>1,460,007,169</b>	<b>1,114,368,325</b>
<b>Total assets</b>		<b>4,000,957,737</b>	<b>3,454,874,923</b>	<b>3,767,225,870</b>	<b>3,253,393,388</b>

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

## Statement of financial position (continued)

Pacific Pipe Public Company Limited and its subsidiaries

As at 31 December 2014

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Liabilities and shareholders' equity					
Current liabilities					
Short-term loans from financial institutions	14	1,390,040,288	825,516,510	1,390,040,288	825,516,510
Trade and other payables	15	100,780,011	195,231,439	112,483,372	197,594,160
Income tax payable		6,829,887	38,709,189	-	31,291,281
Other current liabilities		16,443,065	27,030,379	14,182,577	25,517,762
Total current liabilities		1,514,093,251	1,086,487,517	1,516,706,237	1,079,919,713
Non-current liabilities					
Long-term loan from related party	6	100,000,000	100,000,000	100,000,000	100,000,000
Long-term loans from financial institution	16	201,000,000	-	201,000,000	-
Deferred tax liabilities	20	-	2,426,655	-	2,426,655
Provision for long-term employee benefits	17	23,402,685	20,563,536	18,666,783	16,318,049
Total non-current liabilities		324,402,685	122,990,191	319,666,783	118,744,704
Total liabilities		1,838,495,936	1,209,477,708	1,836,373,020	1,198,664,417
Shareholders' equity					
Share capital					
Registered					
660,000,000 ordinary shares of Baht 1 each		660,000,000	660,000,000	660,000,000	660,000,000
Issued and fully paid up					
660,000,000 ordinary shares of Baht 1 each		660,000,000	660,000,000	660,000,000	660,000,000
Share premium					
Share premium on ordinary shares		514,845,000	514,845,000	514,845,000	514,845,000
Surplus on treasury shares		1,010,911	1,010,911	1,010,911	1,010,911
Retained earnings					
Appropriated - statutory reserve	18	67,000,000	67,000,000	67,000,000	67,000,000
Unappropriated		919,605,890	1,002,541,304	687,996,939	811,873,060
Total shareholders' equity		2,162,461,801	2,245,397,215	1,930,852,850	2,054,728,971
Total liabilities and shareholders' equity		4,000,957,737	3,454,874,923	3,767,225,870	3,253,393,388

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

## Statement of comprehensive income

Pacific Pipe Public Company Limited and its subsidiaries  
For the year ended 31 December 2014

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2014	2013	2014	2013
Profit or loss					
Revenues					
Sales and service income	6	6,849,020,065	7,277,986,243	6,777,486,656	7,222,130,229
Exchange gains		436,704	-	447,531	-
Dividend income	11	-	-	27,805,654	24,427,268
Other income		170,493,322	192,808,859	169,501,635	189,277,567
Total revenues		7,019,950,091	7,470,795,102	6,975,241,476	7,435,835,064
Expenses					
Cost of sales and services		6,394,219,183	6,525,828,341	6,378,670,492	6,527,914,057
Selling expenses		120,942,985	135,236,088	171,500,769	184,908,759
Administrative expenses		226,819,912	224,849,283	205,854,825	202,574,169
Exchange losses		-	24,501,074	-	24,501,074
Total expenses		6,741,982,080	6,910,414,786	6,756,026,086	6,939,898,059
Profit before finance cost					
and income tax expenses		277,968,011	560,380,316	219,215,390	495,937,005
Finance cost		(51,657,539)	(55,032,949)	(51,047,743)	(54,294,258)
Profit before income tax expenses		226,310,472	505,347,367	168,167,647	441,642,747
Income tax expenses	20	(45,231,540)	(98,046,305)	(28,043,768)	(80,083,690)
Profit for the year		181,078,932	407,301,062	140,123,879	361,559,057
Other comprehensive income:					
Actuarial losses	17	-	(5,405,760)	-	(4,465,985)
Income tax effect	20	-	1,081,152	-	893,197
Other comprehensive income for the year		-	(4,324,608)	-	(3,572,788)
Total comprehensive income for the year		181,078,932	402,976,454	140,123,879	357,986,269
Basic earnings per share					
Profit for the year	21	0.27	0.62	0.21	0.55

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

## Cash flow statement

Pacific Pipe Public Company Limited and its subsidiaries

For the year ended 31 December 2014

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
<b>Cash flows from operating activities</b>				
Profit before tax	226,310,472	505,347,367	168,167,647	441,642,747
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	100,316,084	105,849,138	92,476,599	98,471,243
Allowance for doubtful accounts (reversal)	1,359,319	(339,620)	777,073	(263,836)
Reduction of inventory to net realisable value	53,907,394	4,805,752	53,907,394	4,805,752
Loss on write-off/disposals of equipment	17,791	335,610	17,317	203,414
Provision for long-term employee benefits	2,839,149	2,740,259	2,348,734	1,797,125
Unrealised loss (gain) on exchange	(1,723,887)	2,546,379	(1,723,887)	2,546,379
Dividend income	-	-	(27,805,654)	(24,427,268)
Interest income	(1,558,104)	(1,807,052)	(1,170,060)	(1,286,244)
Interest expenses	49,703,089	53,268,901	49,690,216	53,252,285
Profit from operating activities before changes in operating assets and liabilities	431,171,307	672,746,734	336,685,379	576,741,597
Operating assets (increase) decrease				
Trade and other receivables	17,774,699	2,848,953	8,304,145	46,991,490
Inventories	(235,749,639)	251,624,049	(239,380,574)	270,764,396
Advance for raw material	12,730,413	337,041,252	12,730,413	337,041,252
Other current assets	(14,549,460)	47,612,960	(14,357,890)	47,410,563
Operating liabilities increase (decrease)				
Trade and other payables	(93,988,079)	80,300,367	(84,647,439)	80,224,573
Other current liabilities	(10,587,314)	(371,513)	(11,335,185)	4,555,497
Cash flows from operating activities	106,801,927	1,391,802,802	7,998,849	1,363,729,368
Cash paid for interest expenses	(50,166,438)	(55,856,217)	(50,153,565)	(55,839,602)
Cash paid for corporate income tax	(84,447,193)	(100,469,787)	(66,456,870)	(81,717,054)
<b>Net cash flows from (used in) operating activities</b>	<b>(27,811,704)</b>	<b>1,235,476,798</b>	<b>(108,611,586)</b>	<b>1,226,172,712</b>

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

## Cash flow statement (continued)

Pacific Pipe Public Company Limited and its subsidiaries

For the year ended 31 December 2014

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
<b>Cash flows from investing activities</b>				
Acquisition of property, plant and equipment	(439,466,352)	(131,029,007)	(430,351,152)	(122,905,141)
Acquisition of intangible assets	(3,939,200)	(1,677,880)	(3,939,200)	(1,677,880)
Dividend income	-	-	27,805,654	24,427,268
Interest income	1,994,638	1,370,518	1,606,594	849,710
Proceeds from sales of equipment	22,430	20,691	22,430	20,691
<b>Net cash flows used in investing activities</b>	<b>(441,388,484)</b>	<b>(131,315,678)</b>	<b>(404,855,674)</b>	<b>(99,285,352)</b>
<b>Cash flows from financing activities</b>				
Increase (decrease) in short-term loans				
from financial institutions	566,247,665	(952,467,979)	566,247,665	(952,467,979)
Cash receipt from long-term loan from related party	-	100,000,000	-	100,000,000
Cash receipt from long-term loans from financial institution	201,000,000	-	201,000,000	-
Repayment of long-term loan from related party	-	(76,470,734)	-	(75,000,000)
Dividend paid	(264,014,346)	(165,011,482)	(264,000,000)	(164,998,750)
<b>Net cash flows from (used in) financing activities</b>	<b>503,233,319</b>	<b>(1,093,950,195)</b>	<b>503,247,665</b>	<b>(1,092,466,729)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>34,033,131</b>	<b>10,210,925</b>	<b>(10,219,595)</b>	<b>34,420,631</b>
Cash and cash equivalents at beginning of year	297,646,253	287,435,328	194,660,553	160,239,922
<b>Cash and cash equivalents at end of year</b>	<b>331,679,384</b>	<b>297,646,253</b>	<b>184,440,958</b>	<b>194,660,553</b>
	-	-	-	-

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

# Statement of changes in shareholders' equity

Pacific Pipe Public Company Limited and its subsidiaries

For the year ended 31 December 2014

	Consolidated financial statements					(Unit: Baht)	
	Issued and fully paid-up share capital	Share premium	Surplus on treasury shares	Retained earnings			Total shareholders' equity
				Appropriated	Unappropriated		
<b>Balance as at 1 January 2013</b>	660,000,000	514,845,000	1,010,911	67,000,000	764,576,332	2,007,432,243	
Dividend paid (Note 24)	-	-	-	-	(165,011,482)	(165,011,482)	
Total comprehensive income for the year	-	-	-	-	402,976,454	402,976,454	
<b>Balance as at 31 December 2013</b>	660,000,000	514,845,000	1,010,911	67,000,000	1,002,541,304	2,245,397,215	
<b>Balance as at 1 January 2014</b>	660,000,000	514,845,000	1,010,911	67,000,000	1,002,541,304	2,245,397,215	
Dividend paid (Note 24)	-	-	-	-	(264,014,346)	(264,014,346)	
Total comprehensive income for the year	-	-	-	-	181,078,932	181,078,932	
<b>Balance as at 31 December 2014</b>	660,000,000	514,845,000	1,010,911	67,000,000	919,605,890	2,162,461,801	

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

# Statement of changes in shareholders' equity (continued)

Pacific Pipe Public Company Limited and its subsidiaries

For the year ended 31 December 2014

	Separate financial statements					(Unit: Baht)	
	Issued and fully paid-up share capital	Share premium	Surplus on treasury shares	Retained earnings			Total
				Appropriated	Unappropriated		
Balance as at 1 January 2013	660,000,000	514,845,000	1,010,911	67,000,000	618,885,541	1,861,741,452	
Dividend paid (Note 24)	-	-	-	-	(164,998,750)	(164,998,750)	
Total comprehensive income for the year	-	-	-	-	357,986,269	357,986,269	
Balance as at 31 December 2013	660,000,000	514,845,000	1,010,911	67,000,000	811,873,060	2,054,728,971	
Balance as at 1 January 2014	660,000,000	514,845,000	1,010,911	67,000,000	811,873,060	2,054,728,971	
Dividend paid (Note 24)	-	-	-	-	(264,000,000)	(264,000,000)	
Total comprehensive income for the year	-	-	-	-	140,123,879	140,123,879	
Balance as at 31 December 2014	660,000,000	514,845,000	1,010,911	67,000,000	687,996,939	1,930,852,850	
	-	-	-	-	-	-	

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

## Notes to consolidated financial statements

Pacific Pipe Public Company Limited and its subsidiaries

For the year ended 31 December 2014

### 1. General information

Pacific Pipe Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. Its major shareholder is Tang Mong Seng Holding Company Limited, which was incorporated in Thailand. The Company is principally engaged in manufacturing and distribution of steel pipes for construction work. The registered office of the Company is at 298, 298/2, Soi Klabcharoen, Suksawat Road, Tambon Pakklongbangplakod, Amphur Phrasamutjedi, Samutprakarn.

### 2 Basis of preparation

- 2.1 The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Professions Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 28 September 2011, issued under the Accounting Act B.E. 2543.

The financial statements in Thai language are the official statutory financial statements of the Company. The financial statements in English language have been translated from the Thai language financial statements.

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

#### 2.2 Basis of consolidation

- a) The consolidated financial statements include the financial statements of Pacific Pipe Public Company Limited (“the Company”) and the following subsidiary companies (“the subsidiaries”):

Company's name	Nature of business	Country of incorporation	Percentage of shareholding	
			2014	2013
			Percent	Percent
Tamose Trading Company Limited	Distribution of steel pipes for construction	Thailand	99.94	99.94
Meesup Transport Company Limited	Transportation	Thailand	99.97	99.97

- b) Subsidiaries are fully consolidated, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.



- c) The financial statements of the subsidiaries are prepared using the same significant accounting policies as the Company.
  - d) Material balances and transactions between the Company and its subsidiary companies have been eliminated from the consolidated financial statements.
- 2.3 The separate financial statements, which present investments in subsidiaries under the cost method, have been prepared solely for the benefit of the public.

### 3. **New financial reporting standards**

Below is a summary of financial reporting standards that became effective in the current accounting year and those that will become effective in the future.

#### **(a) Financial reporting standards that became effective in the current accounting year**

Conceptual Framework for Financial Reporting (revised 2014)

Accounting Standards:

TAS 1 (revised 2012)	Presentation of Financial Statements
TAS 7 (revised 2012)	Statement of Cash Flows
TAS 12 (revised 2012)	Income Taxes
TAS 17 (revised 2012)	Leases
TAS 18 (revised 2012)	Revenue
TAS 19 (revised 2012)	Employee Benefits
TAS 21 (revised 2012)	The Effects of Changes in Foreign Exchange Rates
TAS 24 (revised 2012)	Related Party Disclosures
TAS 28 (revised 2012)	Investments in Associates
TAS 31 (revised 2012)	Interests in Joint Ventures
TAS 34 (revised 2012)	Interim Financial Reporting
TAS 36 (revised 2012)	Impairment of Assets
TAS 38 (revised 2012)	Intangible Assets

Financial Reporting Standards:

TFRS 2 (revised 2012)	Share-based Payment
TFRS 3 (revised 2012)	Business Combinations
TFRS 5 (revised 2012)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 8 (revised 2012)	Operating Segments

## Accounting Standard Interpretations:

TSIC 15	Operating Leases - Incentives
TSIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
TSIC 29	Service Concession Arrangements: Disclosures
TSIC 32	Intangible Assets - Web Site Costs

## Financial Reporting Standard Interpretations:

TFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRIC 4	Determining whether an Arrangement contains a Lease
TFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
TFRIC 7	Applying the Restatement Approach under TAS 29 <i>Financial Reporting in Hyperinflationary Economies</i>
TFRIC 10	Interim Financial Reporting and Impairment
TFRIC 12	Service Concession Arrangements
TFRIC 13	Customer Loyalty Programmes
TFRIC 17	Distributions of Non-cash Assets to Owners
TFRIC 18	Transfers of Assets from Customers

## Accounting Treatment Guidance for Stock Dividend

These financial reporting standards were amended primarily to align their content with the corresponding International Financial Reporting Standards. Most of the changes were directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of the accounting standards. These financial reporting standards do not have any significant impact on the financial statements.

**(b) Financial reporting standards that will become effective in the future**

The Federation of Accounting Professions has issued a number of revised and new financial reporting standards that become effective for fiscal years beginning on or after 1 January 2015. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of accounting standards. The management of the Company believes they will not have any significant impact on the financial statements in the year in which they are adopted. However, some of these financial reporting standards involve changes to key principles and relate to the Company and its subsidiaries, as discussed below:

**TAS 19 (revised 2014) Employee Benefits**

This revised standard requires that the entity recognise actuarial gains and losses immediately in other comprehensive income while the existing standard allows the entity to recognise such gains and losses immediately in profit or loss, or in other comprehensive income, or to recognise them gradually in profit or loss.

This revised standard does not have any impact on the financial statements as the Company and its subsidiaries already recognised actuarial gains and losses immediately in other comprehensive income.

**TFRS 10 Consolidated Financial Statements**

TFRS 10 prescribes requirements for the preparation of consolidated financial statements and replaces the part dealing with consolidated financial statements as included in TAS 27 Consolidated and Separate Financial Statements. This standard changes the principles used in considering whether control exists. Under this standard, an investor is deemed to have control over an investee if it has rights, or is exposed, to variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns, even if it holds less than half of the shares or voting rights. This important change requires the management to exercise a lot of judgement when reviewing whether the Company and its subsidiaries have control over the investees and determine which entities have to be included for preparation of the consolidated financial statements.

The management of the Company and its subsidiaries believes that this standard will not have any significant impact on the Company and its subsidiaries' financial statements.

**TFRS 13 Fair Value Measurement**

This standard provides guidance on how to measure fair value and stipulates disclosures related to fair value measurements. Entities are to apply the guidance under this standard if they are required by other financial reporting standards to measure their assets or liabilities at fair value. The effect of the change from the adoption of this standard is to be recognised prospectively.

Based on the preliminary analysis, the management of the Company and its subsidiaries believes that this standard will not have any significant impact on the Company and its subsidiaries' financial statements.

## **4. Significant accounting policies**

### **4.1 Revenue recognition**

#### *Sales of goods*

Sales of goods are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales are the invoiced value, excluding value added tax, of goods supplied after deducting discounts and allowances.

#### *Rendering of services*

Service revenue is recognised when services have been rendered taking into account the stage of completion.

#### *Interest income*

Interest income is recognised on an accrual basis based on the effective interest rate.

#### *Dividends*

Dividends are recognised when the right to receive the dividends is established.

### **4.2 Cash and cash equivalents**

Cash and cash equivalents consist of cash in hand and at banks, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.

### **4.3 Trade accounts receivable**

Trade accounts receivable are stated at the net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experience and analysis of debt aging.

### **4.4 Inventories**

The Company and its subsidiary presented value of finished goods at the lower of cost (under the weighted average method) and net realisable value. Cost includes all production costs, wages and attributable factory overheads.

Raw materials and factory supplies are valued at the lower of weighted average cost and net realisable value and are charged to production costs whenever consumed.

### **4.5 Investments**

Investments in subsidiaries are accounted for in the separate financial statements using the cost method.

#### 4.6 Property, plant and equipment/Depreciation

Land is stated at cost. Buildings and equipment are stated at cost less accumulated depreciation and allowance for loss on impairment of assets (if any).

Depreciation of plant and equipment is calculated by reference to their costs on the straight-line basis over the following estimated useful lives:

Land improvement	10 - 20 years
Buildings and building improvement	20 - 30 years
Machinery and factory equipment	10 - 32 years
Office equipment	3 - 5 years
Motor vehicles	5 - 10 years

Depreciation is included in determining income

No depreciation is provided on land and assets under construction.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset is included in profit or loss when the asset is derecognised.

#### 4.7 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

#### 4.8 Intangible assets

Intangible assets with finite lives are amortised on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method of such intangible assets are reviewed at least at each financial year end. The amortisation expense is charged to profit or loss.

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

	<u>Useful lives</u>
Computer software	10 years

#### **4.9 Related party transactions**

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

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

#### **4.10 Foreign currencies**

The consolidated and separate financial statements are presented in Baht, which is also the Company's functional currency. Items of each entity included in the consolidated financial statements are measured using the functional currency of the entity.

Transactions in foreign currencies are translated into Baht at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rate ruling at the end of reporting period.

Gains and losses on exchange are included in determining income.

#### **4.11 Impairment of assets**

At the end of each reporting period, the Company and its subsidiaries perform impairment reviews in respect of the property, plant and equipment and other intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount.

An impairment loss is recognised in profit or loss.

#### **4.12 Employee benefits**

##### ***Short-term employee benefits***

Salaries, wages, bonuses and contributions to the social security fund are recognised as expenses when incurred.

**Post-employment benefits***Defined contribution plans*

The Company and its subsidiaries and their employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Company and its subsidiaries. The fund's assets are held in a separate trust fund and the Company and its subsidiaries' contributions are recognised as expenses when incurred.

*Defined benefit plan*

The Company and its subsidiaries have obligations in respect of the severance payments it must make to employees upon retirement under labor law. The Company and its subsidiaries treat these severance payment obligations as a defined benefit plan.

The obligation under the defined benefit plan is determined by a professionally qualified independent actuary based on actuarial techniques, using the projected unit credit method.

Actuarial gains and losses arising from post-employment benefits are recognised immediately in other comprehensive income.

**4.13 Provisions**

Provisions are recognised when the Company and its subsidiaries have a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

**4.14 Income tax**

Income tax expense represents the sum of corporate income tax currently payable and deferred tax.

**Current tax**

Current income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

**Deferred tax**

Deferred income tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period, using the tax rates enacted at the end of the reporting period.

The Company and its subsidiaries recognise deferred tax liabilities for all taxable temporary differences while they recognise deferred tax assets for all deductible temporary differences and tax losses carried forward to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and tax losses carried forward can be utilised.

At each reporting date, the Company and its subsidiaries review and reduce the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

The Company and its subsidiaries record deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

## **5. Significant accounting judgements and estimates**

The preparation of financial statements in conformity with financial reporting standards at times requires management to make subjective judgements and estimates regarding matters that are inherently uncertain. These judgements and estimates affect reported amounts and disclosures; and actual results could differ from these estimates. Significant judgements and estimates are as follows:

### **Allowance for doubtful accounts**

In determining an allowance for doubtful accounts, the management needs to make judgement and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

### **Property, plant and equipment/Depreciation**

In determining depreciation of plant and equipment, the management is required to make estimates of the useful lives and residual values of the plant and equipment and to review estimate useful lives and residual values when there are any changes.

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

### **Post-employment benefits under defined benefit plans**

The obligation under the defined benefit plan is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate and staff turnover rate.



## 6. Related party transactions

The followings are relationships between the Company and related parties.

Name of entities	Nature of relationships
Tang Mong Seng Holding Company Limited	Major shareholder, 39.05% shareholding
Tamose Trading Company Limited	Subsidiary, 99.94% shareholding, all directors are representatives of the Company
Meesup Transport Company Limited	Subsidiary, 99.97% shareholding, all directors are representatives of the 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.

During the years, the Company and its subsidiaries had significant business transactions with related parties. Such transactions, which are summarised below, arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Company and those related parties.

(Unit: Million Baht)

For the years ended 31 December				Transfer Pricing Policy
Consolidated		Separate		
financial statements		financial statements		
2014	2013	2014	2013	

### Transactions with subsidiary companies

(eliminated from the consolidated financial statements)

Sales of goods	-	-	3,184	3,389	Reference to market price
Purchases of goods	-	-	9.5	-	Reference to market price
Rental income	-	-	0.7	0.7	Contract price
Service income	-	-	0.8	0.8	Contract price
Commission paid	-	-	68	73	Contract price
Transportation expenses	-	-	86	87	Reference to market price

### Transactions with related party

Interest expenses	5.3	4.2	5.3	4.2	MLR - 1.5 percent per annum
Office rental and service expenses	3.2	3.2	-	-	Contract price

### Transaction with related persons

Land rental	3.9	3.4	3.9	3.4	Contract price
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The balances of the accounts as at 31 December 2014 and 2013 between the Company and those related parties are as follows:

		(Unit: Thousand Baht)			
		Consolidated financial statements		Separate financial statements	
		2014	2013	2014	2013
<b>Trade receivable - related party (Note 8)</b>					
Tamose Trading Company Limited		-	-	217,639	168,575
<b>Total trade receivable - related party</b>		<b>-</b>	<b>-</b>	<b>217,639</b>	<b>168,575</b>
<b>Trade payable - related party (Note 15)</b>					
Tamose Trading Company Limited		-	-	7,390	-
<b>Total trade payable - related party</b>		<b>-</b>	<b>-</b>	<b>7,390</b>	<b>-</b>
<b>Other payables - related parties (Note 15)</b>					
Tamose Trading Company Limited		-	-	10,900	11,711
Meesup Transport Company Limited		-	-	2,878	2,806
<b>Total other payables - related parties</b>		<b>-</b>	<b>-</b>	<b>13,778</b>	<b>14,517</b>

#### Loans from related party

As at 31 December 2014 and 2013, the balance of long-term loan from related company and the movement is as follow:

		(Unit: Thousand Baht)			
		Consolidated financial statements / Separate financial statements			
Long-term loan	Related by	Balance as at	Movement during the year		Balance as at
		31 December 2013	Increase	Decrease	31 December 2014
Tang Mong Seng Holding Company Limited	Major shareholder	100,000	-	-	100,000

Long-term loan represents loan that the Company has borrowed from Tang Mong Seng Holding Company Limited, carrying interest at a rate of MLR - 1.5 percent per annum (MLR of a commercial bank). This loan is unsecured and due for repayment in July 2018.

#### Directors and management's benefits

During the years ended 31 December 2014 and 2013, the Company and its subsidiaries had employee benefit expenses payable to their directors and management as below.

		(Unit: Thousand Baht)			
		Consolidated financial statements		Separate financial statements	
		2014	2013	2014	2013
Short-term employee benefits		35,930	33,420	31,004	28,495
Post-employment benefits		2,370	1,215	2,157	1,120
<b>Total</b>		<b>38,300</b>	<b>34,635</b>	<b>33,161</b>	<b>29,615</b>

Guarantee obligations with related party

The Company has outstanding guarantee obligations with its related party, as described in Note 25.4 to the financial statements.

**7. Cash and cash equivalents**

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Cash	265	211	195	140
Bank deposits	331,414	297,435	184,246	194,521
Total	<u>331,679</u>	<u>297,646</u>	<u>184,441</u>	<u>194,661</u>

As at 31 December 2014, bank deposits in saving accounts carried interests between 0.375 and 0.500 percent per annum (2013: between 0.500 and 0.625 percent per annum).

**8. Trade and other receivables**

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<u>Trade receivable - related party</u>				
Aged on the basis of due dates				
Not yet due	-	-	163,695	137,716
Past due				
Up to 3 months	-	-	53,944	30,859
Total trade receivable - related party (Note 6)	<u>-</u>	<u>-</u>	<u>217,639</u>	<u>168,575</u>
<u>Trade receivables - unrelated parties</u>				
Aged on the basis of due dates				
Not yet due	415,788	406,621	241,094	244,937
Past due				
Up to 3 months	134,363	191,119	79,217	137,567
3 - 6 months	16,159	-	643	-
6 - 12 months	13,662	-	4,216	-
Over 12 months	23,412	23,418	7,453	7,487
Total	<u>603,384</u>	<u>621,158</u>	<u>332,623</u>	<u>389,991</u>
Less: Allowance for doubtful debts	<u>(24,464)</u>	<u>(23,104)</u>	<u>(8,202)</u>	<u>(7,425)</u>
Total trade receivables - unrelated parties, net	<u>578,920</u>	<u>598,054</u>	<u>324,421</u>	<u>382,566</u>
Total trade receivables - net	<u>578,920</u>	<u>598,054</u>	<u>542,060</u>	<u>551,141</u>

## 9. Inventories

(Unit: Thousand Baht)

	Consolidated financial statements					
	Cost		Reduce cost to net		Inventories-net	
			realisable value			
	2014	2013	2014	2013	2014	2013
Finished goods	823,307	608,156	(30,442)	(7,337)	792,865	600,819
Raw materials	801,501	783,015	(38,501)	(7,699)	763,000	775,316
Factory supplies and others	17,679	16,652	-	-	17,679	16,652
Goods in transit	1,085	-	-	-	1,085	-
Total	1,643,572	1,407,823	(68,943)	(15,036)	1,574,629	1,392,787

(Unit: Thousand Baht)

	Separate financial statements					
			Reduce cost to net			
	Cost		realisable value		Inventories-net	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Finished goods	808,306	588,448	(30,442)	(7,337)	777,864	581,111
Raw materials	801,501	783,015	(38,501)	(7,699)	763,000	775,316
Factory supplies and others	17,679	16,652	-	-	17,679	16,652
Goods in transit	9	-	-	-	9	-
Total	1,627,495	1,388,115	(68,943)	(15,036)	1,558,552	1,373,079

During the current year, the Company reduced cost of inventories by Baht 53.9 million (2013: Baht 4.8 million), to reflect the net realisable value.

**10. Advance for raw material**

(Unit: Thousand Baht)

	Consolidated / Separate financial statements	
	31 December 2014	31 December 2013
Advance for raw material	21,224	33,955
Less: Allowance for impairment	(18,000)	(18,000)
	<u>3,224</u>	<u>15,955</u>

The advance payment for raw materials included advance cash payment of Baht 21 million (31 December 2013: Baht 29 million) to purchase raw materials from a supplier. However, the supplier was unable to deliver the raw materials to the Company during the year 2011. Subsequently, the Company negotiated a revised delivery schedule but the supplier failed to meet the schedule again and stopped delivering the goods to the Company from June 2012 onwards. However, the Company has already set up allowance for impairment of Baht 18 million into accounts.

From the causes above, the supplier has negotiated with the Company how to settle the advance for raw materials. In April 2013, the Company and the supplier entered into a settlement agreement to repayment the outstanding within 3 years. The Company's management does not expect to incur losses in excess of the impairment loss as recorded in the financial statements.

**11. Investments in subsidiaries**

Details of investments in subsidiaries as presented in separate financial statements are as follows:

(Unit: Thousand Baht)

Company's name	Paid-up capital		Shareholding percentage		Cost		Dividend received during the year	
	2014	2013	2014	2013	2014	2013	2014	2013
			(%)	(%)				
Tamose Trading Company Limited	1,000	1,000	99.94	99.94	999	999	19,988	17,989
Meesup Transport Company Limited	9,200	9,200	99.97	99.97	10,997	10,997	7,818	6,438
Total					<u>11,996</u>	<u>11,996</u>	<u>27,806</u>	<u>24,427</u>

## 12. Property, plant and equipment

(Unit: Thousand Baht)

	Consolidated financial statements							
			Buildings	Machinery			Assets	
	Land	Land	and building	and factory	Office	Motor	under	
	Land	improvement	improvement	equipment	equipment	vehicles	construction	Total
<b>Cost:</b>								
1 January 2013	231,518	11,252	564,145	1,006,523	68,801	92,999	37,158	2,012,396
Additions	-	-	-	3,596	2,159	7,808	117,466	131,029
Transfers	-	-	894	17,875	1,996	21,023	(41,788)	-
Disposals	-	-	-	(15,171)	(2,485)	(1,028)	-	(18,684)
31 December 2013	231,518	11,252	565,039	1,012,823	70,471	120,802	112,836	2,124,741
Additions	4,606	-	-	6,001	2,697	9,106	417,056	439,466
Transfers	-	538	216	195,101	452	1,245	(197,552)	-
Disposals/write-off	-	-	-	(4,006)	(1,216)	-	-	(5,222)
31 December 2014	236,124	11,790	565,255	1,209,919	72,404	131,153	332,340	2,558,985
<b>Accumulated depreciation:</b>								
1 January 2013	-	849	226,151	607,250	44,507	53,809	-	932,566
Depreciation for the year	-	586	26,719	57,220	9,163	8,033	-	101,721
Depreciation on disposals	-	-	-	(14,964)	(2,456)	(908)	-	(18,328)
31 December 2013	-	1,435	252,870	649,506	51,214	60,934	-	1,015,959
Depreciation for the year	-	604	26,757	50,535	8,506	9,269	-	95,671
Depreciation on disposals/ write-off	-	-	-	(3,993)	(1,189)	-	-	(5,182)
31 December 2014	-	2,039	279,627	696,048	58,531	70,203	-	1,106,448
<b>Net book value:</b>								
31 December 2013	231,518	9,817	312,169	363,317	19,257	59,868	112,836	1,108,782
31 December 2014	236,124	9,751	285,628	513,871	13,873	60,950	332,340	1,452,537
<b>Depreciation for the year</b>								
2013 (Baht 73.91 million included in manufacturing cost, and the balance in selling and administrative expenses)								101,721
2014 (Baht 68.76 million included in manufacturing cost, and the balance in selling and administrative expenses)								95,671

**12. Property, plant and equipment (continued)**

(Unit: Thousand Baht)

	Separate financial statements							Total
	Land		Buildings	Machinery	Office	Motor	Assets	
	Land	improvement	and building improvement	and factory equipment	equipment	vehicles	under construction	
<b>Cost:</b>								
1 January 2013	231,518	11,252	561,943	1,006,523	57,127	18,254	37,158	1,923,775
Additions	-	-	-	3,597	1,901	-	117,407	122,905
Transfers	-	-	894	17,875	1,996	20,963	(41,728)	-
Disposals	-	-	-	(15,171)	(1,813)	(92)	-	(17,076)
31 December 2013	231,518	11,252	562,837	1,012,824	59,211	39,125	112,837	2,029,604
Additions	4,606	-	-	6,001	2,687	-	417,057	430,351
Transfers	-	538	217	195,100	452	1,246	(197,553)	-
Disposals/write-off	-	-	-	(4,006)	(1,100)	-	-	(5,106)
31 December 2014	236,124	11,790	563,054	1,209,919	61,250	40,371	332,341	2,454,849
<b>Accumulated depreciation:</b>								
1 January 2013	-	849	226,145	607,250	35,110	12,834	-	882,188
Depreciation for the year	-	586	26,609	57,220	8,574	1,390	-	94,379
Depreciation on disposals	-	-	-	(14,964)	(1,797)	(91)	-	(16,852)
31 December 2013	-	1,435	252,754	649,506	41,887	14,133	-	959,715
Depreciation for the year	-	604	26,646	50,535	7,940	2,121	-	87,846
Depreciation on disposals/ write-off	-	-	-	(3,993)	(1,073)	-	-	(5,066)
31 December 2014	-	2,039	279,400	696,048	48,754	16,254	-	1,042,495
<b>Net book value:</b>								
31 December 2013	231,518	9,817	310,083	363,318	17,324	24,992	112,837	1,069,889
31 December 2014	236,124	9,751	283,654	513,871	12,496	24,117	332,341	1,412,354
<b>Depreciation for the year</b>								
2013 (Baht 73.91 million included in manufacturing cost, and the balance in selling and administrative expenses)								94,379
2014 (Baht 68.76 million included in manufacturing cost, and the balance in selling and administrative expenses)								87,846

As at 31 December 2014, certain items of equipment were fully depreciated but are still in use. The gross carrying amount before deducting accumulated depreciation of those assets amounted to approximately Baht 330 million (2013: Baht 231 million) (the Company only: Baht 300 million, 2013: Baht 209 million).

### 13. Intangible assets

The net book value of intangible assets as at 31 December 2014 and 2013 is presented below.

(Unit: Thousand Baht)

	Consolidated financial statements			Separate financial statements		
	System			System		
	Computer software	development under process	Total	Computer software	development under process	Total
As at 31 December 2014						
Cost	51,881	546	52,427	51,474	546	52,020
<u>Less</u> Accumulated amortisation	(20,577)	-	(20,577)	(20,228)	-	(20,228)
Net book value	<u>31,304</u>	<u>546</u>	<u>31,850</u>	<u>31,246</u>	<u>546</u>	<u>31,792</u>
As at 31 December 2013						
Cost	44,101	4,387	48,488	43,694	4,387	48,081
<u>Less</u> Accumulated amortisation	(15,932)	-	(15,932)	(15,598)	-	(15,598)
Net book value	<u>28,169</u>	<u>4,387</u>	<u>32,556</u>	<u>28,096</u>	<u>4,387</u>	<u>32,483</u>

A reconciliation of the net book value of intangible assets for the years 2014 and 2013 is presented below.

(Unit: Thousand Baht)

	Consolidate financial statements		Separate financial statements	
	2014	2013	2014	2013
Net book value at beginning of year	32,556	35,006	32,483	34,898
Acquisition of computer software	1,293	641	1,293	641
Increase of system development under process	2,646	1,037	2,646	1,037
Amortisation	(4,645)	(4,128)	(4,630)	(4,093)
Net book value at end of year	<u>31,850</u>	<u>32,556</u>	<u>31,792</u>	<u>32,483</u>



**14. Short-term loans from financial institutions**

(Unit: Thousand Baht)

	Interest rate (Percent per annum)	Consolidated / Separate financial statements	
		31 December 2014	31 December 2013
Short-term loans from financial institutions	3.15 - 3.43	1,217,920	757,858
Trust receipt	1.95 - 2.15	172,120	67,659
		<u>1,390,040</u>	<u>825,517</u>

The credit facilities agreement of the Company contain covenants that, among other things, required the Company to be restricted on the disposal of its assets or the creation of lien thereon without prior consent from banks, the maintenance of certain debt to equity and debt service coverage ratios according to the agreement.

As at 31 December 2014, the credit facilities of the Company and its subsidiaries which have not yet been drawn down amounted to Baht 4,462 million (2013: Baht 4,954 million).

**15. Trade and other payables**

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Trade payables - unrelated parties	1,437	103,469	-	101,896
Trade payables - related party (Note 6)	-	-	7,390	-
Other payables - related parties (Note 6)	-	-	13,778	14,517
Other payables - unrelated parties	63,267	43,189	61,586	40,280
Accrued expenses	36,076	48,573	29,729	40,901
Total trade and other payables	<u>100,780</u>	<u>195,231</u>	<u>112,483</u>	<u>197,594</u>

**16. Long-term loans from financial institution**

(Unit: Thousand Baht)

Loan	Interest rate (%)	Repayment schedule	Consolidated financial statements/ Separate financial statements	
			2014	2013
1	MLR - 2.4	Monthly installment as from January 2016	201,000	-
Less: Portion due within one year			-	-
Long-term loans - net of current portion			<u>201,000</u>	<u>-</u>

In 2013, the Company entered into a long-term loan agreement with a commercial bank. The long-term credit facility is Baht 650 million. As at 31 December 2014, the credit facilities of the Company which has not yet been drawn down amounted to Baht 449 million (2013: Baht 650 million).

The long-term loan agreement of the Company contains covenants that, among other things, required the Company to be restricted on the disposal of its assets or the creation of lien thereon without prior consent from banks, the maintenance of certain debt to equity and debt service coverage ratios according to the agreement.

**17. Provision for long-term employee benefits**

Provision for long-term employee benefits, which represents compensation payable to employee after they retire from the Company and its subsidiaries, was as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
<b>Provision for long-term employee benefits at beginning of year</b>	20,564	12,418	16,318	10,055
Current service cost	1,955	1,798	1,647	1,174
Interest cost	884	942	702	623
Actuarial loss	-	5,406	-	4,466
<b>Provision for long-term employee benefits at end of year</b>	<u>23,403</u>	<u>20,564</u>	<u>18,667</u>	<u>16,318</u>

Long-term employee benefit expenses included in the profit or loss consist of the following:

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
Current service cost	1,955	1,798	1,647	1,174
Interest cost	884	942	702	623
<b>Total expenses recognised in profit or loss</b>	<b>2,839</b>	<b>2,740</b>	<b>2,349</b>	<b>1,797</b>
Line items in profit or loss under which such expenses are included				
Cost of sales	469	325	469	325
Selling and administrative expenses	2,370	2,415	1,880	1,472

As at 31 December 2014, cumulative actuarial losses, which were recognised in other comprehensive income of the Company and its subsidiaries, amounted to Baht 5.4 million (2013: Baht 5.4 million) (The Company only: Baht 4.5 million and 2013: Baht 4.5 million).

Key actuarial assumptions used for the valuation are as follows:

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	(% per annum)	(% per annum)	(% per annum)	(% per annum)
Discount rate	4.3	4.3	4.3	4.3
Future salary increase rate	3 - 9	3 - 9	3 - 9	3 - 9
Staff turnover rate (depending on age)	0 - 40	0 - 40	0 - 40	0 - 40

The amounts of defined benefit obligations and experience adjustments for the current year and the past four years are as follows:

(Unit: Thousand Baht)

	Defined benefit obligation		Experience adjustments arising on the plan liabilities	
	Consolidated	Separate	Consolidated	Separate
	financial statements	financial statements	financial statements	financial statements
Year 2014	23,403	18,667	-	-
Year 2013	20,564	16,318	5,058	4,204
Year 2012	12,418	10,055	-	-
Year 2011	12,039	9,435	-	-
Year 2010	10,646	8,355	-	-

**18. Statutory reserve**

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside to a statutory reserve at least 5 percent of its net profit after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of the registered capital. The statutory reserve is not available for dividend distribution. At present, the statutory reserve has fully been set aside.

**19. Expenses by nature**

Significant expenses classified by nature are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
Salaries and wages and other employee benefits	248,369	238,168	223,276	214,503
Depreciation and amortisation expenses	100,316	105,849	92,477	98,471
Transportation expenses	25,183	39,167	97,252	107,502
Commission expenses	3,325	3,356	69,185	73,573
Raw materials and consumables used	6,283,135	6,248,829	6,283,135	6,248,829
Changes in inventories of finished goods	(214,287)	(420)	(219,859)	(19,560)

**20. Income tax**

Income tax expenses for the years ended 31 December 2014 and 2013 are made up as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
<b>Current income tax:</b>				
Current income tax charge	51,738	97,250	34,335	79,114
Adjustment in respect of income tax of previous year	-	(3,490)	-	(3,490)
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	(6,506)	4,286	(6,291)	4,460
<b>Income tax expenses reported in the statement of comprehensive income</b>	<b>45,232</b>	<b>98,046</b>	<b>28,044</b>	<b>80,084</b>

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2014 and 2013 are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
Deferred tax relating to actuarial losses (decrease)	-	(1,081)	-	(893)

The reconciliation between accounting profit and income tax expenses is shown below.

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
Accounting profit before tax	226,310	505,347	168,168	441,643
Applicable tax rate	20%	20%	20%	20%
Accounting profit before tax multiplied by income tax rate	45,262	101,069	33,634	88,329
Adjustment in respect of income tax of previous year	-	(3,490)	-	(3,490)
Effects of:				
Non-deductible expenses	258	543	177	379
Additional expense deductions allowed	(201)	(249)	(201)	(249)
Dividend income from subsidiaries	-	-	(5,561)	(4,885)
Others	(87)	173	(5)	-
Total	(30)	467	(5,590)	(4,755)
Income tax expenses reported in the statement of comprehensive income	45,232	98,046	28,044	80,084

The components of deferred tax assets and deferred tax liabilities are as follows:

(Unit: Thousand Baht)

	Statements of financial position			
	Consolidated financial statements		Separate financial statements	
	As at	As at	As at	As at
	31 December	31 December	31 December	31 December
	2014	2013	2014	2013
<b>Deferred tax assets</b>				
Allowance for doubtful accounts	4,893	4,621	1,641	1,485
Allowance for diminution in value of inventories	13,788	3,007	13,788	3,007
Allowance for advance for raw material	3,600	3,600	3,600	3,600
Provision for long-term employee benefits	4,680	4,112	3,733	3,263
Total	26,961	15,340	22,762	11,355
<b>Deferred tax liabilities</b>				
Difference depreciation between tax and accounting base	18,897	13,782	18,897	13,782
Total	18,897	13,782	18,897	13,782
<b>Presentation in the statements of financial position</b>				
Deferred tax assets	8,064	3,985	3,865	-
Deferred tax liabilities	-	(2,427)	-	(2,427)
Total	8,064	1,558	3,865	(2,427)

## 21. Earnings per share

Basic earnings per share is calculated by dividing profit for the year (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year.

## 22. Segment information

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance. The chief operating decision maker has been identified as Managing Director.

The one main reportable operating segment of the Company and its subsidiaries is the manufacture and distribution of steel pipes for construction work for both domestic and export markets and the single geographical area of their operations is Thailand. Segment performance is measured based on operating profit or loss and total assets, on a basis consistent with that used to measure operating profit or loss and total assets in the financial statements. As a result, all of the revenues, operating profits and assets as reflected in these financial statements pertain to the aforementioned reportable operating segment and geographical area.

For the year ended 31 December 2014, export sales of the Company and its subsidiaries represented approximately 1.8 percent (31 December 2013: 2.2 percent) of total sales. The export sales of the Company only for year then ended represented approximately 1.7 percent (31 December 2013: 2.1 percent) of the Company's sales.

For the year 2014 and 2013, the Company and its subsidiaries have no major customer with revenue of 10 percent or more of an entity's revenues.

### 23. Provident fund

The Company, its subsidiaries and their employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Employees, the Company and its subsidiaries contribute to the fund monthly at the rate of 5 percent of basic salary. The fund will be paid to employees upon termination in accordance with the fund rules. During the year 2014, the Company and its subsidiaries contributed Baht 3.7 million (2013: Baht 2.7 million) to the fund.

### 24. Dividends

Dividends	Approved by	Total dividends (Million Baht)	Dividend per share (Baht/share)
Final dividends for 2012	Annual General Meeting of the shareholders on 23 April 2013	165.0	0.25
Total for 2013		165.0	0.25
Final dividends for 2013	Annual General Meeting of the shareholders on 23 April 2014	264.0	0.40
Total for 2014		264.0	0.40

## 25. Commitments and contingent liabilities

### 25.1 Capital commitments

As at 31 December 2014, the Company had capital commitments of approximately Baht 13.9 million, (2013: Baht 20.8 million, EUR 1.5 million and USD 0.8 million) relating to construction of new plant.

### 25.2 Letters of credit

The Company and its subsidiaries had commitments under letters of credit with overseas suppliers amounting to approximately USD 1.6 million, (2013: USD 0.1 million and Euro 1.3 million).

### 25.3 Operating lease commitments

The Company and its subsidiaries had entered into several lease agreements in respect of the lease of land and motor vehicles with related parties and other companies. The terms of the agreements were generally between 3 and 10 years.

Future minimum lease payments required under these non-cancellable operating leases contracts were as follows.

(Unit: Million Baht)

	Consolidated financial statements			
	Related parties		Unrelated parties	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Payable:				
In up to 1 year	6.6	6.9	3.0	1.9
In over 1 and up to 5 years	11.2	6.0	-	1.1
In over 5 year	15.5	-	-	-

(Unit: Million Baht)

	Separated financial statements			
	Related parties		Unrelated parties	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Payable:				
In up to 1 year	3.4	3.0	2.7	1.9
In over 1 and up to 5 years	9.3	1.0	-	1.1
In over 5 year	15.5	-	-	-



## 25.4 Guarantees

- (1) As at 31 December 2014, there were outstanding bank guarantees of approximately Baht 61 million (2013: Baht 50 million), issued by banks on behalf of the Company in respect of certain performance bonds as required in the normal course of business. These included letters of guarantee amounting to Baht 46 million (2013: Baht 37 million) to guarantee payments due to Customs Department, Baht 14 million (2013: Baht 12 million) to guarantee electricity use and Baht 1 million (2013: Baht 1 million) to guarantee as a Gold Card importer and exporter to the Customs Department.
- (2) The Company guaranteed credit card facility of its subsidiary company amounting to Baht 1 million (2013: Baht 1 million).

## 26. Financial instruments

### 26.1 Financial risk management

The Company and its subsidiaries' financial instruments, as defined under Thai Accounting Standard No.107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade accounts receivable, investments, and short-term and long-term loans. The financial risks associated with these financial instruments and how they are managed is described below.

#### ***Credit risk***

The Company and its subsidiaries are exposed to credit risk primarily with respect to trade receivables and other receivables. The Company and its subsidiaries manage the risk by adopting appropriate credit control policies and procedures and therefore do not expect to incur material financial losses. In addition, the Company and its subsidiaries do not have high concentrations of credit risk since they have a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of trade receivables and other receivables as stated in the statement of financial position.

#### ***Interest rate risk***

The Company and its subsidiaries' exposure to interest rate risk relates primarily to its cash at banks, short-term and long-term borrowings. Most of the Company and its subsidiaries' financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate.

Significant financial assets and liabilities classified by type of interest rate are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

(Million Baht)

Consolidated financial statements	As at 31 December 2014				Effective interest rate (% per annum)
	Fixed interest rates within 1 year	Floating interest rate	Non- interest bearing	Total	
<u>Financial Assets</u>					
Cash and cash equivalent	-	332	-	332	0.375 - 0.50
Trade and other receivables	-	-	579	579	-
	-	332	579	911	
<u>Financial liabilities</u>					
Short-term loans from financial institutions	1,390	-	-	1,390	1.95 - 3.43
Trade and other payables	-	-	101	101	-
Long-term loan from related party	-	100	-	100	MLR - 1.5
Long-term loans from financial institution	-	201	-	201	MLR - 2.4
	1,390	301	101	1,792	-

(Million Baht)

Consolidated financial statements	As at 31 December 2013				Effective interest rate (% per annum)
	Fixed interest rates within 1 year	Floating interest rate	Non- interest bearing	Total	
<u>Financial Assets</u>					
Cash and cash equivalent	-	298	-	298	0.500 - 0.625
Trade and other receivables	-	-	598	598	-
	-	298	598	896	
<u>Financial liabilities</u>					
Short-term loans from financial institutions	826	-	-	826	1.75 - 3.47
Trade and other payables	-	-	195	195	
Long-term loan from related party	-	100	-	100	MLR - 1.5
	826	100	195	1,121	

(Million Baht)

	As at 31 December 2014				
Separate financial statements	Fixed interest rates within 1 year	Floating interest rate	Non- interest bearing	Total	Effective interest rate
					(% per annum)
<u>Financial Assets</u>					
Cash and cash equivalent	-	184	-	184	0.375 - 0.50
Trade and other receivables	-	-	542	542	-
	-	184	542	726	
<u>Financial liabilities</u>					
Short-term loans from financial institutions	1,390	-	-	1,390	1.95 - 3.43
Trade and other payables	-	-	112	112	-
Long-term loan from related party	-	100	-	100	MLR - 1.5
Long-term loans from financial institution	-	201	-	201	MLR - 2.4
	1,390	301	112	1,803	

(Million Baht)

Separate financial statements	As at 31 December 2013				Effective interest rate (% per annum)
	Fixed interest rates within 1 year	Floating interest rate	Non- interest bearing	Total	
<u>Financial Assets</u>					
Cash and cash equivalent	-	195	-	195	0.500 - 0.625
Trade and other receivables	-	-	551	551	-
	-	195	551	746	
<u>Financial liabilities</u>					
Short-term loans from financial institutions	826	-	-	826	1.75 - 3.47
Trade and other payables	-	-	198	198	
Long-term loan from related party	-	100	-	100	MLR - 1.5
	826	100	198	1,124	

### Foreign currency risk

The Company's exposure to foreign currency risk arises mainly from trading transactions and borrowings that are denominated in foreign currencies. The Company seeks to reduce this risk by entering into forward exchange contracts when it consider appropriate. Generally, the forward contracts mature within one year.

The Company has financial assets and financial liabilities denominated in foreign currencies which mature within one year as follows:

Foreign currency	Financial assets		Financial liabilities		Average exchange rate	
	as at 31 December		as at 31 December		as at 31 December	
	2014	2013	2014	2013	2014	2013
	(Million)	(Million)	(Million)	(Million)	(Baht per 1 foreign currency unit)	
US dollar	-	1.3	3.9	1.6	32.8834	32.7645
Euro	-	-	1.1	0.4	39.9180	44.9602

Foreign exchange contracts outstanding are summarised below.

As at 31 December 2014			
Foreign currency	Bought amount	Contractual exchange rate bought	Contractual maturity date
	(Million)	(Baht per 1 foreign currency unit)	
US dollar	2	33.06, 33.16	20 May 2015 , 23 June 2015

## 26.2 Fair values of financial instruments

Since the majority of the Company's financial instruments are short-term in nature or bear floating interest rates, their fair value is not expected to be materially different from the amounts presented in statement of financial position.

A fair value is the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The fair value is determined by reference to the market price of the financial instruments or by using an appropriate valuation technique, depending on the nature of the instrument.

## 27. Capital management

The primary objective of the Company's capital management is to ensure that it has appropriate capital structure in order to support its business and maximise shareholder value. As at 31 December 2014, the Group's debt-to-equity ratio was 0.85:1 (2013: 0.54:1) and the Company's was 0.95:1 (2013: 0.58:1).

**28. Events after the reporting period**

On 24 February 2015, the Company's Board of Directors meeting approved for payment of a dividend to the shareholders of Baht 0.16 per share, or a total of approximately Baht 105.6 million, from the operating results for the year ended 31 December 2014.

However, this resolution will be further proposed for the shareholders' approval in the Annual General Meeting of the shareholders for fiscal year 2015.

**29. Approval of financial statements**

These financial statements were authorised for issue by the Company's Board of Directors on 24 February 2015.



**PACIFIC PIPE**

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