



PACIFIC PIPE
WORLD CLASS QUALITY

ANNUAL REPORT 2017





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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. AIM 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, SOCIAL AND ENVIRONMENTAL DEVELOPMENT OF THE COUNTRY
4. DEVELOP VALUABLE BUSINESS TO SUSTAINABLY YIELD TO STAKEHOLDERS

VALUE

F

FOCUS ON CUSTOMER

A

ACHIEVEMENT ORIENTATION

S

SHARE FOR KNOWLEDGE MANAGEMENT

T

TEAMWORK

BE THE LEADER OF STEEL PIPES MANUFACTURER



PIPEING SYSTEM



CONSTRUCTION



ARCHITECTURE





INFRASTRUCTURE



ARGO-INDUSTRY



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 45 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.

“

Although in the year 2017, China's export decreased 31.2% which benefited Thailand's steel industry. However, the overall growth of the whole industry decreased approximately 13.7% from the previous year.

”



MESSAGE FROM CHAIRMAN

Global economy expansion tendency was satisfying and in corresponding direction in all major regions. In 2017 world's trading consistently recovery engined export sector and encouraged the growth in all regions' economy, especially The United States which the growth was beyond expectation. Thailand's economy expansion was larger in 2017 due to the export and tourism. Private sector investment tent to recover over the clarity of the government's scheme such as infrastructure investment and Easter Economic Corridor act (EEC).

For steel industry in 2017, the world's pig iron volume expanded by 5.3%. China's policy to shut down steel factories all over the country using outdated technology and creating particle pollution led to the shrinking in China's export by 31.2%. This benefited Thailand's steel industry with increasing export, 20% from the previous year. The overall growth of the whole industry, however, decreased approximately 13.7% from the previous year. As a result, the Company's sales volume (ton) in 2017 grew 4.10% from the previous year. Still, considering the total revenue, the growth was at 14.09% with the total income at 8,215.72 million baht and net profit at 292.42 million baht which was 46.48% decreased from the previous year. This was the consequence of the previous year's profit from steel price that had risen from the lowest point in 2015.

In 2018 the economy in major countries possibly recovered consistently. The progress in fiscal operation, continual consumption and investment of private sector in The United State, constant growth and recovery of Europe's and Japan's economy, and our country's recovery could possibly lead to the increasing domestic investment. The demand in steel consumption tent to remain high as well. Despite

the continual growth in world's economy, some risk factors needed to be considered: The United State's fiscal policy, Catalan's declaration of independence from Spain, and policy interest rate which obviously tent to be in a late-cycle.

Apart from focusing on the management, the Company also valued the ethics and encouraged all the employees to perform with responsibility and comply with the good corporate governance and ethics towards all stakeholders. Focusing on the corporate governance and corporate social responsibility, the Company acquired a "Very Good" in Corporate Governance Report of Thai Listed Companies 2017 (CGR) assessed by Thai Institute of Directors (IOD). The Company also operated social responsibility activities The dedicated to the society and its stakeholders constantly. the Company focused on the internal society caring which included the employees and the community nearby. The details are stated in the Corporate Social Responsibility report.

Lastly, the Company's board of directors were grateful to the shareholders, trade partners, all those related, financial institutes who provided kindly support, and all employees for their consistent dedication to the duty and being parts of the Company's success. The Company shall ensure the thorough and ethical operating for the utmost advantage for all.



Mr. Somchai Lekapojpanich
Chairman



Commitment to quality service
Focus on organization goals.
Share the knowledge to the team.
Unity collaboration

FINANCIAL HIGHLIGHT

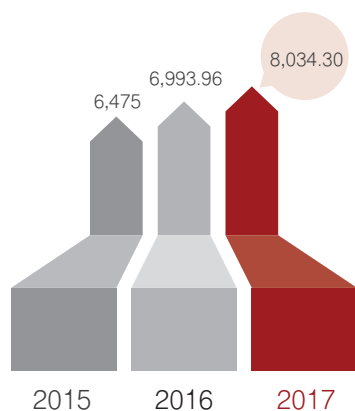
(Unit : Million Baht)

	2015	2016	2017
Financial Position			
Sales and service income	6,475.00	6,993.96	8,034.30
Total Revenue	6,615.59	7,150.37	8,215.72
Operating Profit	37.43	683.07	404.51
Net Profit (Loss)	(42.99)	546.38	292.42
Total Assests	3,317.83	3,707.86	4,844.55
Total Liabilities	1,307.23	1,150.88	2,263.33
Total Equity	2,010.60	2,556.98	2,581.22
Financial Ratio			
Net Profit on Total Revenues (%)	(0.65)	7.64	3.56
Return on Equity (%)	(2.14)	21.37	11.33
Return on Assets (%)	(1.30)	14.74	6.04
Debt to Equity (Times)	0.65	0.45	0.88
Earning per share (Baht/Share)	(0.12)	0.78	0.49
Dividend Payout (%)	0.00	126.92	80.02
Book Value Per Share (Baht/Share)	3.05	3.87	3.91
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.

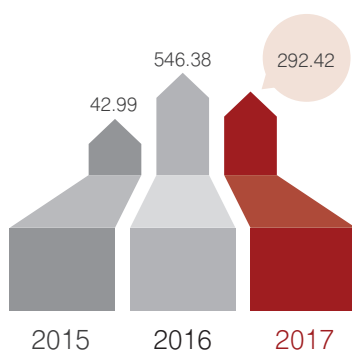
Sales and service income

(Unit : Million Baht)



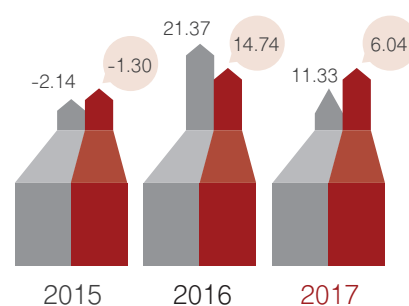
Net Profit (Loss)

(Unit : Million Baht)



Financial Ratio

(Unit : Million Baht)



■ ROE
■ ROA

GENERAL INFORMATION

Pacific Pipe Company Limited



Ticker	: PAP
Type of Operation	: Manufacturing selling steel pipes
Phra Pradang Plant Location	: 298, 298/2 1, Soi Klabchareon, Suksawad Rd., Pakklongbangplakod, Prasamutjedee, Samutprakarn 10290
Mahachai Plant Location (I)	: 1/112 Samutsakorn Industrial Park, Moo 2, Rama II Road, Tambol Tasai, Amphoe Muang, Samutsakorn 74000
Mahachai Plant Location (II)	: 1/97 Samutsakorn Industrial Park, Moo 2, Rama II Road, Tambol Tasai, Amphoe Muang, Samutsakorn 74000
Mahachai Plant Location (III)	: 24/31 Moo 2, Tambol Tasai, Amphoe Muang, Samutsakorn 74000
Distribution Centre Location (I)	: 158 Moo 6, Tambol Bangbor, Amphoe Bangbor, Samutprakarn 10560
Distribution Centre Location (II)	: 50/6 Moo 2, Tambol Namai, Amphoe Lad Lum Kaew, Patumthani 12140
Office Location	: 1168/74 Lumpini Tower, Fl.26, Rama IV Rd., Tungmahamek, Sathorn, Bangkok 10120
Registered Number	: Bor Mor Jor 0107547000206
Telephone (office)	: +662-679-9000
Facsimile (office)	: +662-679-9201-3
Website	: www.pacificpipe.co.th
Registered Capital	: Baht 660,000,000
Paid up Capital	: Baht 660,000,000
Type of securities	: Common share
No. of paid up common share	: 660,000,000 shares
Par value	: Baht 1 per share

Investment in other companies with more than 10% shareholding

Tamose Trading Company Limited (subsidiary)



Ticker	: TMS
Office location	: 1168/68-69 Lumpini Tower, Fl.24, Rama IV Rd., Tungmahamek, Sathorn, Bangkok 10120
Type of Operation	: Selling steel pipes
Registered Capital	: Baht 100,000,000
Paid up Capital	: Baht 100,000,000
Type of securities	: Common share
No. of paid up common share	: 1,000,000 shares
Par value	: Baht 100 per share

Meesup Transport Company Limited (subsidiary)



Ticker	: MT
Office location	: 298/2 Moo1 Suksawad Rd., Pakklongbangplakod, Prasamutjedee, Samutprakarn 10290
Type of Operation	: Transportation
Registered Capital	: Baht 14,000,000
Paid up Capital	: Baht 9,200,000
Type of securities	: Common share
No. of paid up common share	: 92,000 shares
Par value	: Baht 100 per share



Reference

Registrar	: Thailand Securities Depository Company Limited 93 Ratchadaphisek Road, Dindaeng, Bangkok 10400
Auditor	: EY Office Limited 193/136-137, 33 rd 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** We 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 19th, 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 17th, 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 8th, 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 7th, 2006, the Annual General Meeting of the year passed the resolution allowing the Company to split par value of the common shares from 10 baht to 5 baht, which resulted to the increase in the number of the Company's common 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 30th, 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 13th, 2008. As of September 14th, 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 21 million baht. Number of shares repurchased equal 3.18% of total paid-up capital.



- 2009** ● As of December 9th, 2009 the Extra Ordinary General Shareholder Meeting No.1/2009 approved the purchasing land in Samut Sakorn Industrial Estate instead of rental land. The land in Samut Sakorn is a plant for producing large steel pipes.
- 2010** ● As of March 8th, 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 guaranteed 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 gets 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 Samut Sakorn Industrial Park which is called PM3. The production capacity will increase around 150,000 tons per year and will be finished in the end of quarter 3 of 2014.
- 2014** ● The PM3 factory was launched. With production capacity of 150,000 tons per year, it enables the Company to increase its capacity to manufacture fast-selling products. The Company's testing and/or calibration laboratory acquires ISO/IEC 17025 from Thai Industrial Standards Institute, Ministry of Industry. It guarantees that the Company's quality system operation in testing and/or calibration activities complies with ISO 9000 standard serial number, a proof that the product quality testing laboratory is accurate and reliable.
- 2015** ● The Company acquires ISO 14001 Environment Management Systems Use from TUV NORD (Thailand) Ltd. which guarantees that the Company has a systematic environment management. The Company's products receive FM Approvals Class: 1603 - Steel Pipe for Automatic Fire Sprinkler Systems standard certification from FM Global, United State of America, which is one of the largest commercial, industrial insurance and risk management standard. Such standard certified product will be marked with symbol , which is an alternative for a standardized steel pipe for extinguishing system.
- 2017** ● **FiGuard-40**, **FiGuard-10** have been registered as trade names of ASTM A53 Sch 40 and ASTM A795 Sch 10, that are certified by FM and used as a water pipe in fire extinguish system. This is to create a brand value and differentiate from others in the market.

NATURE OF BUSINESS OPERATION

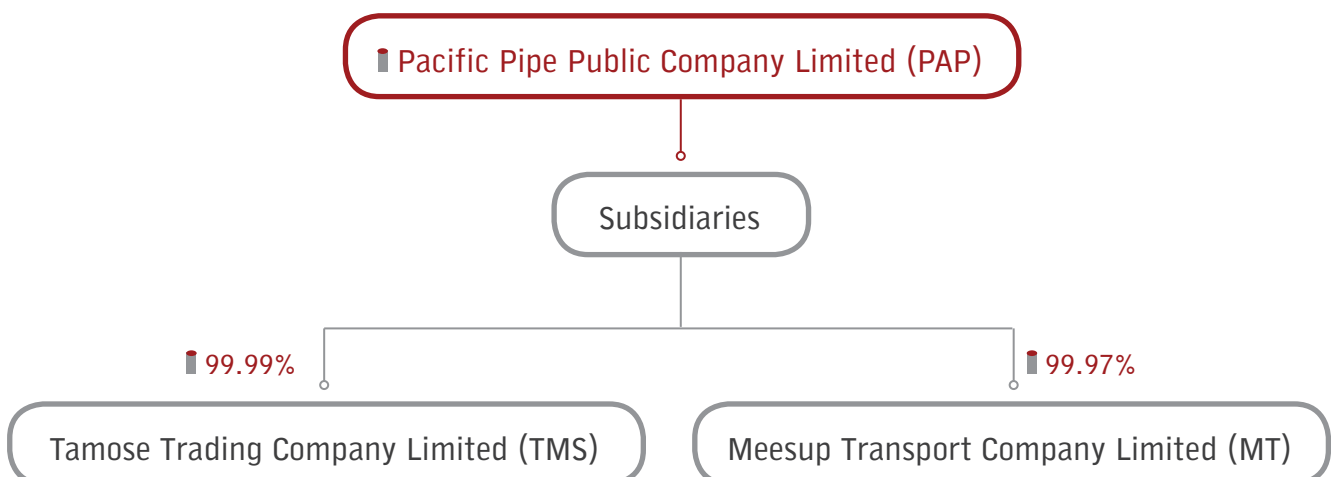
Overall Business

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 (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, is responsible for coordinating with customers throughout the sales process of the Company. Marketing functions of Tamose Trading can be categorized as follows;

- For standard grade product, Tamose Trading performs 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 resells it to external customers under its own brand Tamose “”.

However, since Tamose Trading is one the Company's subsidiaries and responsible for the Company's marketing, the Company and Tamose Trading then collaborate intimately 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 described as follows;



Revenue Structure

	2015		2016		2017	
	(MB.)	(%)	(MB.)	(%)	(MB.)	(%)
Sales and service income						
Domestic	6,303.48	95.28	6,806.30	95.19	7,747.33	94.30
International	106.36	1.61	93.21	1.30	173.49	2.11
Service income	65.16	0.98	94.45	1.32	113.48	1.38
Total Sales and service income	6,475.00	97.87	6,993.96	97.81	8,034.30	97.79
Net foreign exchange gain	6.53	0.10	-	-	7.72	0.09
Other revenues	134.06	2.03	156.41	2.19	173.70	2.12
Total Revenue	6,615.59	100.00	7,150.37	100.00	8,215.72	100.00

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

Business Characteristics

Products

Our steel pipes are manufactured by the Electric Resistance Welding (ERW) Process. We offer both the made to order products and the finished products. They can be divided to 2 following categories.

1. Steel Pipes for Pipeline System

In general, steel pipes can be used in a wide range of utilities: eg plumbing system, fire protection system. The tendency of using steel pipe is increasing as they can be used instead of other materials. They can be used as a groundwater or sprinkler pipe in a fire extinguish system for high-rise buildings instead of using PVC pipes. Due to its strength and pressure, it can handle up to 5 times the pressure of PVC pipes.

Example of Steel Pipes for Pipeline System



Fire Extinguish System



Water Irrigation System



Conduit System

2. Steel Pipe for Structural Purposes

Structural steel pipes can be used in a wide range of utilities: fences, doors, decorative work, railing, fences, guardrails, billboards etc. It is a favorite alternative to use the large steel pipes in substitute of wood, channel, angle, H Beam, I Beam as well as concrete for structural work, such as piling, scaffolding, roofing or roof slabs. Because of its strength, durability, lightweight, easy to connect and less damage during transport, using steel pipes makes the construction works better quality. Most of all, it can save time and reduce cost when compared with the use of wood and concrete. The use of steel pipe also has advantages over various types of steel: channel, angle,

H Beam, I Beam. Because the steel pipe is light and symmetrical, the load can be carried in all directions. As a result, the structure made of steel pipes gets lower cost. Currently, the use of steel pipes is well accepted by engineers in various construction works, especially in the large structure with airy, the building that needs a lot of space with a small number of pillars and the building with unique architectural design. Examples of structural steel pipe used in both public and private sectors, domestic and foreign countries include Megaprojects of the Ministry of Transport, airports, hotels, condominiums, office buildings, hospitals, community malls, showrooms, warehouses, sport stadiums, conventional center etc.

Example of Steel Pipes for Structural Purposes



MRT-Megaproject



Office Building



Sport Stadium



Airport

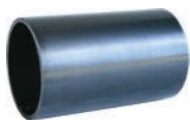


Warehouse



Condominium/Hotel

The shape and dimension of our steel pipes



Round pipe

Nominal dimension ½ 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 250 x 75 x 25 mm.

The company can produce steel pipes at a thickness of up to 12.70 mm. and at a diameter of up to 16 inches. It is considered as an extra-large ERW pipe which can be produced in the country at present.


The type of our steel products

1. By Surface finish : Black Steel Pipe, Hot-Dip Galvanized Steel Pipe

2. By Raw Material Grade

Standard grades : The steel pipes are labeled and sold under the brand “  ” (Pacific Pipe).

They are certified under the international standards that are commonly accepted in both domestic and overseas. The production process are detected and monitored to ensure the qualities of steel pipe as their standard, in terms of raw materials, size, thickness and other properties eg: pressure tolerance. These standard grades are mostly used in construction works and piping works that require high quality steel pipe products for security purposes

Commercial grades: The Commercial grade is labeled and sold under the brand “  ” (Tamose).

The production process of commercial grade is as same as the standard grade but different in the raw materials' quality and some tests that are defined only in the standard grades. It is mostly used in general works eg: plumbing, railing, fence etc. The shape of steel pipes depends on customer's needs. As round steel pipes are more beautiful and can be bent better than rectangular steel pipes, it is well accepted to use for dome / interior decoration. While square steel pipe is sturdy and easy to weld, it is suitable for general structure.

Quality Certification

Pacific Pipe PCL, focuses on providing the highest quality products. In order to do so, our production process, inspection and quality control are performed by well accomplished engineers accordingly to the standards. This is valued as the heart of our production. From this commitment, our company has been certified for producing steel pipes used in construction and pipeline systems by the Industrial Standards Institute and numbers of well-known institutes worldwide, including FM, UL, JQA etc.

Getting the certification of TIS 17025 (ISO/IEC 17025) proves and guarantees that our testing laboratory is reliable and accurate. In order to ensure our product's quality, the mill certification will be issued to the customer every time when the standard pipes are purchased. The National and International Standards / Certifications that the company obtained are as follows;

Standards / Certifications	Institutes
ISO 9001 : 2015 Quality Management System	The TUV NORD (Thailand) Ltd.
ISO/IEC 17025 : 2005 General Requirements for the Competence of Testing and Calibration Laboratories	Thai Industrial Standard Institute, The Ministry of Industry
ISO 14001 : 2004 Environmental Management Systems	The TUV NORD (Thailand) Ltd.
TIS 18001 : 2011 Occupational Health and Safety Management System	The TUV NORD (Thailand) Ltd.
Green Industry Level 3 Green System	The Ministry of Industry

Pacific Pipe PCL is the first Thai steel pipe manufacture who acquired ISO 9001:2015, the Quality Management System Standard. The company is confident to serve every customer's need and create sustainability growth.

Regarding to the product certifications, the Company has acquired from both national and international organizations as follows

Standards	Institutes
Thai Industry Standards (TIS)	Thai Industrial Standard Institute, The Ministry of Industry, THAILAND
Metallic Sprinkler Pipe for Fire Protection Service	Underwriters Laboratories Inc ® USA.
Japan Industry Standards (JIS)	Japan Quality Assurance Organization, JAPAN
FM Approvals Class: 1630 Steel Pipe for Automatic Fire Sprinkler Systems	FM Global USA.

At present, Pacific Pipe PCL is a leading manufacturer and distributor of high quality standard steel pipes in Thailand. Our products including black steel pipes, galvanized steel pipes and primer-coated steel pipes, for structural works and pipeline systems, are widely recognized and used both in the domestic market and international markets.

The company has exported its products to Middle East, USA, Japan and Australia. We plan to expand our market to cover more regions. Not only to increase the revenue, but also to develop production technology and product standards in order to keep supporting customer's variety of needs. This is our crucial step in developing customer's cooperation in different countries and developing sustainability growth.

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, Amphoe Prasamut Chede, Samutprakarn 10290	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, Amphoe Muang, Samutsakorn 74000	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, Amphoe Muang, Samutsakorn 74000	Manufacturing large-size steel pipe.	20 rais 3 ngan 98 sq.wa. 1 building
4. Mahachai plant (III)	24/31 Moo 2, Tambol Tasai, Amphoe Muang, Samutsakorn 74000	Manufacturing medium-size steel pipe.	44 rais 1 ngan. 3 buildings
5. Distribution Center at Bangna-Trad km.29	158 Moo 6 Tambol Bangbor, Amphoe Bangbor, Samutprakarn 10560	Storage for sales.	22 rais 22 sq.wa. 2 buildings
6. Distribution Center at Lad lum Kaew	50/6 Moo2 Tambol Namai, Amphoe Lad lum Kaew, Pratumthani 12140	Storage for sales.	25 rais 2 ngan 31 sq.wa. 2 buildings
7. Sales Department at Lumpini	1168/74 26 th , 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 of the finished products, the Company will immediately deliver the products to customers once receiving their orders.
- 2) In case that there are 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 addition, in order to maintain machine conditions, the Company has scheduled to have every major machine check up once a week, each checking process takes 2-3 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 2017, the actual production capabilities were approximately 338,569 tons for black steel

pipes and 15,758 tons for galvanized steel pipes.

The Company's major raw material of producing steel pipes is hot rolled coil, which accounts for approximately 95.84% of total raw materials purchased. According to the Company's policy, which highly emphasizes on product quality and prompt delivery, raw materials quality and reliability of the suppliers are the most crucial factors when purchasing raw materials. The Company also regularly evaluates the suppliers' performance. Currently, the company ordered HRC, around 90% of the total raw material purchased, from 3 major domestic manufacturers: Sahaviriya Steel Industries Plc., G Steel PCL., and domestic retail traders.

Inventory Management Policy

The Company has the policy in the inventory management, both raw material and finished goods, in 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 be compatible with the market's demand.

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 improvement 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 the distributing network through establishing more distribution centers in several strategic areas.

RISK FACTOR

The Company has a systematic risk management throughout the organization structure. The Risk Management Committee is responsible for monitoring and assessing significant risks and reporting the issue to the Board of Directors. In 2017, the Company has reviewed and assessed the risk factor and planned strategies to reduce the impact from those risks. Significant risks of the year 2017 are summarized as follows;

1. Risk from Material Price Fluctuation and Inventory

The Company's main raw material is hot-rolled coil, for which the price varies in relation to the world steel price. The risk from price fluctuation is significant because when the world steel price decrease dramatically, the material price increases, adversely affecting the sale price. Moreover, such risk is an external factor which is beyond the Company's control. However, the Company the risk reduction strategy:

- (1) Monitoring the global steel price with caution and purchasing material more carefully, and,
- (2) Maintaining the quantity of material and inventory at appropriate levels.

2. Risk from Exchange Rate

Since the Company imports hot-rolled coil and machines, and exports the products to other countries, there is risk from exchange rate volatility. To reduce risks, the company monitors the exchange rate volatility and its impact frequently, uses financial instruments, such as forward and option, using Natural Hedge by purchasing raw material and selling the products in the same currency.

3. Risk from Natural Disaster and Other Emergencies

Being aware of the impact of risk from natural disasters such as flood and conflagration, the Company manages Business Continuous Planning (BCP) to prepare personnel, equipment, information technology for natural disaster or emergencies, as well as a yearly practice to handle the natural disaster in time and have insurance policies covering the damage that might occur.

4. Risk from Major Shareholders

Holding 73.83% of the Company's share, Tang Mong Seng Holding Company Limited and its co - founder have almost full control over the resolution of the shareholder's meeting. Thus, other shareholders cannot gather enough votes to verify and counterbalance issues proposed by the major shareholders, except for the issue, regulated by the law and the Company's principle, which requires 3 out of 4 votes from the shareholder's meeting.

5. Risk from Having Few Raw Material Supplier and Government's Trade Measures

The Government enforces Anti - Dumping measures and Safe Guard measures on hot - rolled coil which is the Company's main raw material with few domestic suppliers might cause the risk from lacking of raw material. Being aware of the risk, the Company plans its production and raw material purchasing in advance, maintain appropriate quantity of stock and seek for new foreign suppliers in order to reduce the risk.

6. Risk from Interest Rate Volatility

The current unstable economic situation might cause significant volatility in interest rates and lead to positive and negative effects on the Company. To reduce the risk from interest rates, the Company cautiously monitors the situation.

7. Risk from Domestic and Foreign Economy

In order to reduce the risk from economic factors, the Company focuses on product quality and variation improvement by: (1) Retaining current customer base which focuses on quality product. (2) Various customer penetration and production expansion to serve varieties of customer's needs. It is an advantage compared with other companies producing Niche product. It reflects the Company's operational flexibility towards changes and ability to instantly serve market needs. (3) Enhancing production efficiency to decrease production cost. (4) Focusing on customer service, especially, a punctual delivery. (5) Providing customers and organizations with information and understanding about the Company's products via training.

8. Risk from Domestic Political Instability

Domestic political instability affects investors directly. Political conflict or unrest influences the investor's confidence which may lead to a slow down or downsizing of an investment. On the contrary, political stability creates creditability so that the government can encourage public project investment which increases domestic demand.

9. Risk from Commercial Credit

During the Company's business, there is Accounts Receivable from selling products under agreed payment period. It might cause a risk from non - payment or delayed payment. The Company's risk reduction measure is to limit trade credit granted to the customers by analyzing their demand and debt repayment ability which needs concrete approval from an executive entitled to the issue. The Company also has Account Receivables Insurance to lessen the impact when the customer cannot repay the debt.

CONNECTED TRANSACTION

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

The Board of Director's meeting no. 7/2014 on 11th November 2014 passed the resolution to renew rental contract at Bangna-Trad for 11 years with the area of 22 Rai 22 square Wa, which is currently a distribution center. 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 proposed to The Board of Director for approval. Regard to this agenda, the directors who have the conflict of interests, constantly, temporarily left the meeting and their votes were recorded as abstentions. The rental rate calculating method is on page 21

In 2015, there was an adjustment of the landowner since Mr. Prayoon Lekapojpanich and Mr. Vichai Lekapojpanich (former landowner) transferred the land ownership to Bang Bo Asset Company Limited ("BBA") (new landowner) which Mr. Prayoon Lekapojpanich and Mr. Vichai Lekapojpanich position as directors. However, the terms in land lease agreement between Pacific Pipe Public Company Limited and Bang Bo Asset Company Limited (new landowner) remain invariable.

Summary of Rental Land at Bangna - Trad Km. 29

Parties Involved	Relationship	Rental period	Rental rate
Lessee Pacific Pipe PLC. (PAP)	• Mr. Prayoon Lekapojpanich, Director of BBA, is Mr. Somchai Lekapojpanich's older brother.	11 Years since 1 st September 2014 - 31 st August 2025	2,281,600.00 (Baht)
Lessor Bang Bo Asset Co., Ltd. (BBA)	• Mr. Vichai Lekapojpanich, Director of BBA, is Mr. Somchai Lekapojpanich's younger brother.		

2. Rental Land of Distribution Center at Lad Lum Kaew

The Board of Director meeting no. 4/2015 on 2nd July 2015 passed the resolution to renew the land lease agreement at Bang Bua Thong - Suphan Buri, (Highway no. 340, between km. 32-33) Na Mai, Lad Lump Kaew, Phatum Thani with the area of 25 Rai, 12 Ngan, 31 square Wa. The land is now a distribution center of the Company. Within 13 years of lease agreement, Lad Lump Kaew Asset Co., Ltd. is the landowner. The land rental rate will be increase 10% every 3 years which described as follows;

Rental rate year	1 - 3	2,550,000	baht / year
Rental rate year	4 - 6	2,805,000	baht / year
Rental rate year	7 - 9	3,085,500	baht / year
Rental rate year	10 - 12	3,394,050	baht / year
Rental rate year	13	3,733,455	baht / year

The rental land rate is considered by the Audit Committee and proposed to The Board of Director for approval. Regard to this agenda, constantly, the directors who have the conflict of interest temporarily left the meeting and their votes were recorded as abstentions. The rental rate calculating method is on page 21.

Summary of Rental Land at Lad Lum Kaew

Parties Involved	Relationship	Rental period	Rental rate
Lessee Pacific Pipe PLC. (PAP)	• Mr. Prayoon Lekapojpanich, Director of LLK is Mr. Somchai Lekapojpanich's elder brother.	13 Years since 1 st July 2015 -	2,550,000.00 (Baht)
Lessor Lat lum kao Asset Co., Ltd. (LLK)	• Mr. Vichai Lekapojpanich, Director of LLK is Mr. Somchai Lekapojpanich's younger brother.	30 th June 2028	

Rental Rate Calculating Method

The method for land rental rate calculating is divided into 2 types as follows;

Method 1 Multiplying fair market value from 3 independent assessor who receives permission from Security and Exchange Commission (SEC) by the 3-year benefit gained the government bond counted at the rental rate adjusting due date. (Government bond gain information from Thai BMA)

Method 2 Considering from the market rental rate from 3 independent assessor who receives permission from Security and Exchange Commission (SEC)

The Board of Director will use the 2 methods as the direction to define the Company's appropriate land rental rate.

Tungmahamek, Sathorn, Bangkok for the office as space of the unit address 1168/74, 26th floor, Lumpini Tower Building where Tamose rented from Pacific Pipe PCL since the office space is not sufficient for business expansion. Mr. Prayoon Lekapojpanich and Mr. Somchai Lekapojpanich were absent and abstain from voting in this agenda as the two are directors of Tang Mong Seng Holding Co., Ltd., which is the major shareholder of Pacific Pipe PCL. Both are then considered connected persons and persons with vested interest as prescribed by the Stock Exchange of Thailand.

The Board of Director meeting no. 5/2016 on 11th August 2016 passed the resolution regarding a renewal of rental contract of office space (3rd renewal) at 1168/68-69 24th floor at Lumpini Tower, Rama IV Road, Tungmahamek, Sathorn, Bangkok. The period of contract is 3 years which is retroactive effective on 1st August 2016 to 31st July 2019 with rental rate of 520 baht per square meter per month. Regard to this agenda, Mr. Somchai Lekapojpanich was absent and abstains from voting as he was a connected person and a person with vested interest.

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

At the meeting of the Company's Board of Directors No. 6/2007 on 20th June 2007, it resolved Tamose Trading Co., Ltd ("Tamose") to lease condominium units address 1168/68-69, 24th floor, Lumpini Tower Building, Rama IV Road,

Summary of Office Space Rental at 24th floor, Lumpini Tower

Parties Involved	Relationship	Rental period	Rental rate
Lessee Tamose Trading Company Limited (TMS)	• TMS is a subsidiary of PAP • Tang Mong Seng Holding Company Limited holds 39.05% of PAP's paid-up capital.	3 years since 1 st August 2016 - 31 st July 2019	4,321,200.00 (Baht)
Lessor Tang Mong Seng Holding Company Limited. (MH)	• Mr. Somchai Lekapojpanich is a director of PAP, MH and TMS.		

Potentials or policies of future connected transactions

The related transactions possibly occur in the future are subjected to 2 categories, which include normal business transaction and extraordinary and occasionally transaction. The procedures of transaction approval of any related transactions are described as follows;

1. Normal business transaction

Normal business transaction includes selling and purchasing transaction which occurs in continuous basis. Therefore, the company has established guidelines and procedures for such transactions, for instance, using fair and verifiable market price or price as a benchmark. These guidelines were proposed and approved by the Company's Audit Committee.

Moreover, the Audit Committee also conducts quarterly reviews to ensure that the Company conforms to the guideline and that the transactions occur reasonably.

2. Extraordinary and occasionally transaction

The Company entitles the Audit Committee to provide opinion on extraordinary transaction appropriateness. Should the Audit Committee has no specialty on the transaction, the Company will employ independent specialists such as auditor, land appraisal and legal advisor who has no conflict of interest with the Company to provide opinion on the transaction. The opinion of the Audit Committee or specialists will be included in determinant of the Board of Director and the shareholders meeting, depending on each case and related regulation.



PACIFIC PIPE

- Adherence to Good Corporate Governance Principles
- Adherence to Code of Conduct
- Take Responsible to Social and Recieve CGR Score "Very Good"

DIRECTORS AND MANAGEMENT TEAM



Mr. Somchai Lekapojpanich

Chairman /

Chief Executive Officer

Age 58 years

Appointed Date :

March 17th, 2004

Family Relationship among Management : -None-

Education

- Master of Business Administration, Chulalongkorn University
- Bachelor of Mechanical Engineer, King Mongkut's Institute of Technology North Bangkok

Training from Thai Institute of Directors Association (IOD)

2009 Role of the Chairman Program (RCP 21/2009)

2004 Director Accreditation Program (DAP 13/2004)

Work Experience in the past 5 years

2008 - 2009 President, Metal Tube and Cold - Forming Steel Association

Current Director Position in Other Organization

In listed companies : -None-

In non-listed companies :

1999 - Present Director, Tamose Trading Company Limited (Subsidiary)

1996 - Present Director, Meesup Transport Company Limited (Subsidiary)

In listed companies or other organizations that may cause any conflict of interest to PAP : -None-

Criminal offence record during the past 10 years

1. Never been sentenced by a judgment in criminal offence
2. Never been sentenced by a judgment to be bankrupt or insolvent
3. Never been sentenced by a judgment as management or authorized person in the bankrupt or insolvent company.



Dr. Vicharn Aramvareekul

Independent Director /

Chairman of Audit Committee

Age 69 years

Appointed Date :

April 24th, 2014

Family Relationship among Management : -None-

Education

- Doctor of Business Administration, California Coast University, USA
- Master of Business Administration, Chulalongkorn University
- Bachelor of Business Administration, Sukhothai Thammathirat Open University

Training from Thai Institute of Directors Association (IOD)

2014 Role of Compensation Committee (RCC 19/2014)

2013 The Director Diploma Award (Director Diploma Examination No. 37/2013)

2013 Director Certification Program (DCP 107/2013)

Work Experience in the past 5 years

2010 - Present Chairman - Advisory Board, Daika (Thai) Incorporation Limited

Current Director Position in Other Organization

In listed companies :

2013 - Present Director and Chairman of Nomination and Remuneration Committee, CK Power Public Company Limited

In non-listed companies : -None-

In listed companies or other organizations that may cause any conflict of interest to PAP : -None-

Criminal offence record during the past 10 years

1. Never been sentenced by a judgment in criminal offence
2. Never been sentenced by a judgment to be bankrupt or insolvent
3. Never been sentenced by a judgment as management or authorized person in the bankrupt or insolvent company.



Dr. Chaiyong Satjipanon

Independent Director /

Chairman of Risk

Management Committee

Age 64 years

Appointed Date :

July 21st, 2014

Family Relationship among Management : - None -

Education

- Doctor of Law and Diplomacy, Tufts University, USA
- Master of Law and Diplomacy, Tufts University, USA
- Master of Arts in Political Science, Chulalongkorn University
- Bachelor (Honors) of Arts in Political Science, Chulalongkorn University

Training from Thai Institute of Directors Association (IOD)

2015 Director Certification Program (DCP 212/2015)

2015 Risk Management Program (RMP 6/2015)

2014 Director Accreditation Program (DAP 112/2014)

Work Experience in the past 5 years

- 2014 - Present Advisor, National Blood Centre, Thai Red Cross Society
- 2012 - 2013 Ambassador of Thailand to the United States of America
- 2010 - 2012 Ambassador of Thailand to the Republic of Korea

Current Director Position in Other Organization

In listed companies :

2015 - Present Independent Director, G Capital Public Company Limited

2014 - Present Independent Director, Sino-Thai Engineering and Construction Public Company Limited

In non-listed companies :

2014 - Present Director, General Outsourcing Company Limited

In listed companies or other organizations that may cause any conflict of interest to PAP : -None-

Criminal offence record during the past 10 years

1. Never been sentenced by a judgment in criminal offence
2. Never been sentenced by a judgment to be bankrupt or insolvent
3. Never been sentenced by a judgment as management or authorized person in the bankrupt or insolvent company.



Mr. Kriengkrai Rukkulchon

Director /

Chairman of Remuneration

Nomination and Corporate Committee

Age 60 years

Appointed Date :

April 20th, 2007

Family Relationship among Management : -None-

Education

- Bachelor of Law, Ramkhamhaeng University
- Barrister at Law, Thai Bar Association The Institute of Legal Education

Training from Thai Institute of Directors Association (IOD)

2007 Director Accreditation Program (DAP 66/2007)

Work Experience in the past 5 years

- | | |
|----------------|--|
| 2016 - Present | Legal Advisor, Small and Medium Enterprise Development Bank of Thailand (SME Bank) |
| 2011 - Present | Managing Director, Pikannet Tanai Kwam Company Limited |
| 2007 - 2012 | Director of Remuneration/Nomination Committee, Pacific Pipe Public Company Limited |
| 2002 - 2011 | Managing Director, Accounting Pikanet Company Limited |
| 1998 - 2015 | Managing Director, Proaction 2002 Company Limited |

Current Director Position in Other Organization

In listed companies : -None-

In non-listed companies : -None-

In listed companies or other organizations that may cause any conflict of interest to PAP : -None-

Criminal offence record during the past 10 years

1. Never been sentenced by a judgment in criminal offence
2. Never been sentenced by a judgment to be bankrupt or insolvent
3. Never been sentenced by a judgment as management or authorized person in the bankrupt or insolvent company



Ms. Piyanus Chaikajornwat

Independent Director /

Director of Audit Committee /

**Director of Remuneration Nomination
and Corporation Committee**

Age 42 years

Appointed Date :

June 12nd, 2008

Family Relationship among Management : -None-

Education

- Master of Science (Management), Assumption University
- Bachelor of Business Administration (Marketing Management), Assumption University

Training from Thai Institute of Directors Association (IOD)

2009 Director Accreditation Program (DAP 77/2009)

Work Experience in the past 5 years

2012 - May 2014 Chairman of Risk management Committee, Pacific Pipe
Public Company Limited

2006 - Present Import & Export Manager, Victory Industrial Company Limited

2006 - 2015 Director, Clover Enterprises Company Limited

Current Director Position in Other Organization

In listed companies : -None-

In non-listed companies : -None-

**In listed companies or other organizations that may cause any conflict of interest
to PAP :** -None-

Criminal offence record during the past 10 years

1. Never been sentenced by a judgment in criminal offence
2. Never been sentenced by a judgment to be bankrupt or insolvent
3. Never been sentenced by a judgment as management or authorized person in the bankrupt or insolvent company



Mrs. Udomwara Dechsongjarus

Independent Director /

Director of Audit Committee

Age 61 years

Appointed Date :

July 7th, 2016

Family Relationship among Management : -None-

Education

- Master of in Business Administration, Chulalongkorn University
- Bachelor of in Accounting, Thammasat University

Training from Thai Institute of Directors Association (IOD)

2017 Director Accreditation Program (DAP 133/2017)

Work Experience in the past 5 years

- | | |
|-------------|--|
| 2011 - 2015 | Director, Thailand Clearing House Company Limited |
| 2011 - 2015 | Director, Thailand Security Depository Company Limited |
| 2009 - 2015 | Group Head, Post Trade Operation, Stock Exchange of Thailand |
| 2009 - 2011 | Risk Committee, Thailand Clearing House Company Limited |

Current Director Position in Other Organization

In listed companies : -None-

In non-listed companies :

2016 - Present Director, Napassaree Dermagic Company Limited

In listed companies or other organizations that may cause any conflict of interest to PAP : -None-

Criminal offence record during the past 10 years

1. Never been sentenced by a judgment in criminal offence
2. Never been sentenced by a judgment to be bankrupt or insolvent
3. Never been sentenced by a judgment as management or authorized person in the bankrupt or insolvent company



Ms. Viriya Ampornapakul

Executive Director /

Director of Risk Management

Committee /

Director of Remuneration Nomination
and Corporate Committee /

Managing Director

Age 56 years

Appointed Date :

[1st] March 17th, 2004 to April 19th, 2008

[2nd] January 20th, 2009

Family Relationship among Management : -None-

Education

- Master of Business Administration, Kasetsart University

- Bachelor of Business Administration, Ramkhamhaeng University

Training from Thai Institute of Directors Association (IOD)

2004 Director Accreditation Program (DAP 13/2004)

2004 Director Certification Program (DCP 48/2004)

Work Experience in the past 5 years

2009 - Present Managing Director, Pacific Pipe Public Company Limited

2004 - 2008 Financial Director, Pacific Pipe Public Company Limited

Current Director Position in Other Organization

In listed companies : -None-

In non-listed companies :

2006 - Present Director, Meesup Transport Company Limited (Subsidiary)

1999 - Present Director, Tamose Trading Company Limited (Subsidiary)

In listed companies or other organizations that may cause any conflict of interest to PAP : -None-

Criminal offence record during the past 10 years

1. Never been sentenced by a judgment in criminal offence
2. Never been sentenced by a judgment to be bankrupt or insolvent
3. Never been sentenced by a judgment as management or authorized person in the bankrupt or insolvent company



Ms. Thitima Vattanasakdakul
Executive Director /
Director of Risk Management Committee /
Chief Operating Officer
Age 37 years

Appointed Date : April 23rd, 2011

Family Relationship among Management : -None-

Education

- Master of E-Commerce with Distinction Award, University of Wollongong, Australia
- Master of International Economics and Finance, Chulalongkorn University
- Bachelor of Finance, Chulalongkorn University

Training from Thai Institute of Directors Association (IOD)

2013 Director Certificate Program (DCP 177/2013)

Work Experience in the past 5 years

- 2013 - Present Chief Operating Officer, Pacific Pipe Public Company Limited
- 2010 - 2013 Production Director, Pacific Pipe Public Company Limited

Current Director Position in Other Organization

In listed companies : -None-

In non-listed companies :

- 2009 - Present Director, Meesup Transport Company Limited (Subsidiary)
- 2013 - Present Director, Tamose Trading Company Limited (Subsidiary)

In listed companies or other organizations that may cause any conflict of interest to PAP : -None-

Criminal offence record during the past 10 years

1. Never been sentenced by a judgment in criminal offence
2. Never been sentenced by a judgment to be bankrupt or insolvent
3. Never been sentenced by a judgment as management or authorized person in the bankrupt or insolvent company



Ms. Easra Disorntetiwat

Independent Director

Age 53 years

Appointed Date :

January 18th, 2017

Family Relationship among Management: -None-

Education

- Ph.D Candidate, Faculty of Interdisciplinary Studies , Thammasat University
- Master of Management Information System (MIS),
Ball State University (BSU), USA.
(Get the full scholarship from the Faculty of Business Administration, BSU)
- Bachelor of Arts in Political Science (Public Administration),
Thammasat University

Training from Thai Institute of Directors Association (IOD)

2009 Director Certification Program (DCP 114/2009)

Work Experience in the past 5 years

- 2004 - Present Executive Director, CSR Consulting Group Company Limited
(Certified from the Ministry of Finance in standard level "1")
- 2004 - 2017 Advisor of Human Capital Project, Government and Large-medium private sector (altogether around 60 companies or 20 companies in last 5 years)
- 2001 - 2016 Professor at the graduate sector, College of Management Mahidol University (Lecture both of government and private university more than 15 years (Thai and English))

Current Director Position in Other Organization

In listed companies : -None-

In non-listed companies :

2014 - Present Executive Director, CSR Consulting Group Company Limited

In listed companies or other organizations that may cause any conflict of interest to PAP : -None-

Criminal offence record during the past 10 years

1. Never been sentenced by a judgment in criminal offence
2. Never been sentenced by a judgment to be bankrupt or insolvent
3. Never been sentenced by a judgment as management or authorized person in the bankrupt or insolvent company



Mrs. Saowanee Kamolbutr
Independent Director
Age 64 years

Appointed Date :

December 1st, 2017

Family Relationship among Management : - None -

Education

- Master of Political Science (Public Administration), Thammasat University
- Bachelor of Arts in Political Science (Public Administration), Thammasat University

Training from Thai Institute of Directors Association (IOD)

- 2010 Role of the Chairman Program (RCP 23/2010)
- 2010 Financial Institutions Governance Program (FGP1/2010)
- 2009 Role of the Compensation Committee (RCC 8/2009)
- 2006 Director Certification Program (DCP 69/2006)

Work Experience in the past 5 years

- | | |
|---------------------|---|
| May 2017 - Present | Advisor, Small and Medium Enterprise Development Bank of Thailand (SME Bank) |
| Aug 2014 - Present | Honorary Director, Rajapark Institute |
| Jul 2014 - Present | Advisor, The Committee on Economics, Monetary Affairs and Finance, The Committee of the National Legislative Assembly |
| Aug 2014 - May 2017 | Independent Director and Chairman of the Executive Board, Small and Medium Enterprise Development Bank of Thailand (SME Bank) |
| Oct 2012 - Sep 2013 | Chairman of the Executive Director, Retail Business Unit, Thai Yarnyon Company Limited |
| 2009 - Oct 2012 | Deputy Permanent Secretary, Ministry of Finance |

Current Director Position in Other Organization

In listed companies :

- | | |
|--------------------|--|
| May 2016 - present | Independent Director and Member of the Audit Committee, Glow Energy Public Company Limited |
| Apr 2016 - present | Independent Director, Member of the Audit Committee, member of the Risk Management Committee, and Chairman of the Corporate Governance Committee, FN Factory Outlet Public Company Limited |
| Nov 2012 - present | Independent Director and Chairman of the Audit Committee, T.K.S. Technologies Public Company Limited |
| Apr 2014 - present | Independent Director and Chairman of the Audit Committee, and Remuneration and Nomination Committee, Carabao Group Public Company Limited |

In non-listed companies : -None-

In listed companies or other organizations that may cause any conflict of interest to PAP : -None-

Criminal offence record during the past 10 years

1. Never been sentenced by a judgment in criminal offence
2. Never been sentenced by a judgment to be bankrupt or insolvent
3. Never been sentenced by a judgment as management or authorized person in the bankrupt or insolvent company.



Mr. Nantawat Sathirachaiyawit

Engineering Director

Age 59 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 - 2013 Director, Pacific Pipe Public Company Limited
- 2009 - Present Director, Meesup Transport Company Limited (Subsidiary)



Mrs. Phathra Chanyavilas

Marketing Director

Age 54 years

Family Relationship among Management : -None-

Education

- Master of Business Administration, Chulalongkorn University
- Bachelor of Faculty of Pharmaceutical Science, Chulalongkorn University

Work Experience in the past 5 years

- 2007 - 2008 Business Director, Organon (Thailand) Company Limited



Supat Borsombat

Sale Director

Age 52 years

Family Relationship among Management : -None-

Education

- Master degree: National Institute of Development Administration (NIDA)
- Bachelor degree: King Mongkut's University of Technology North Bangkok

Work Experience in the past 5 years

- 2016 - Present Sale Director, Pacific Pipe Public Company Limited
- 1993 - 2015 Executive Director, Eakkathai Company Limited



Mr. Pert Leevilaikulrat

Assistant Director

Age 38 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 in the past 5 years

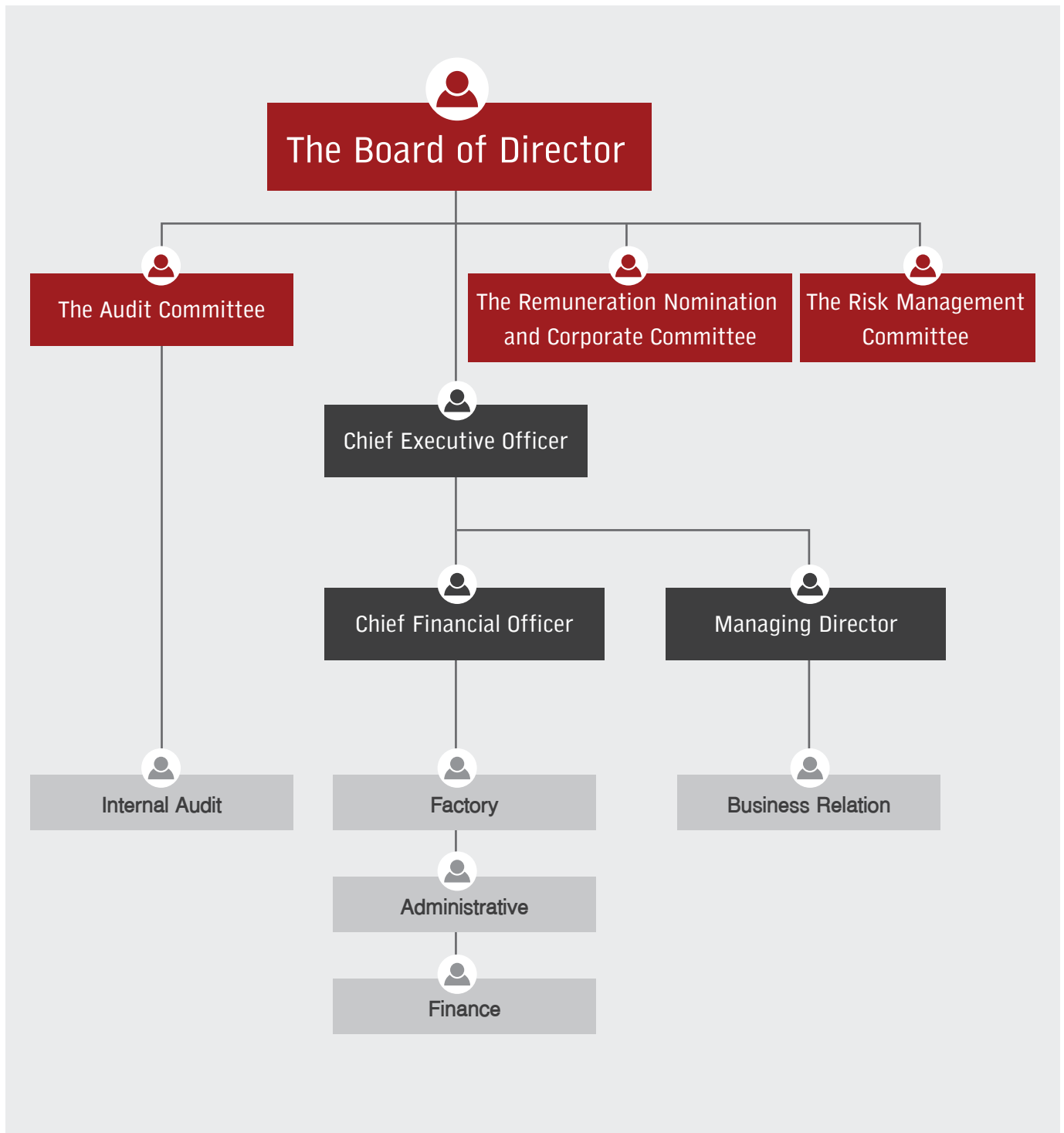
- 2008 - 2010 Accounting Manager, Pacific Pipe Public Company Limited

Shareholdings of Directors and Management Team (as at December 31st, 2017)

Name	as at December 31 st , 2016		Increase (decrease) during financial year	as at December 31 st , 2017		Percentage of shares held (%)
	Held personally	Held by spouses and minor children		Held personally	Held by spouses and minor children	
1. Mr. Somchai Lekapojpanich	10,187,500	17,812,500	-	10,187,500	17,812,500	4.24%
2. Dr. Vicharn Aramvareekul	-	-	-	-	-	-
3. Dr. Chaiyong Satjipanon	-	-	-	-	-	-
4. Mr. Kriengkrai Rukkulchon	1,500,000	-	(1,200,000)	300,000	-	0.04%
5. Ms. Piyanus Chaikajornwat	-	-	-	-	-	-
6. Mrs. Udomawara Dechsongjarus	-	-	-	-	-	-
7. Ms. Viriya Ampornapakul	3,400,000	-	-	3,400,000	-	0.52%
8. Ms. Thitima Vattanasakdakul	-	-	-	-	-	-
9. Ms. Easra Disorntetiwat	-	-	-	-	-	-
10. Mrs. Saowanee Kamolbutr	-	-	-	-	-	-
11. Ms. Sunisa Kwanbunbumphen	3,256,500	-	50,000	3,306,500	-	0.50%
12. Mr. Nantawat Sathirachaiyawit	4,951,100	-	60,000	5,011,100	-	0.76%
13. Mrs. Phathra Chanyavilas	-	-	-	-	-	-
14. Mr. Supat Borsombat	600	-	50,000	50,600	-	0.007%
15. 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 29th, 2017

Name of shareholders	No. of Share (share)	Percentage
1. Tang Mong Seng Holding Company Limited ¹	257,762,500	39.05%
Lekapojpanich Group ²	229,560,000	34.78%
2. Siree Koowuttayakorn	25,500,000	3.86%
3. Prasan Kemakongkanon	10,500,000	1.59%
4. Thai NVDR Company Limited	8,343,400	1.26%
5. Nantawat Sathirachaiyawit	5,011,100	0.76%
6. Viriya Ampornnapakul	3,400,000	0.52%
7. Chuvit Jittarasakul	3,350,000	0.51%
8. Peter Eric Dennis	3,310,600	0.50%
9. Sunisa Kwanbunbumphen	3,306,500	0.50%
10. Supa YungYuensuntorn	3,074,400	0.47%
Total	553,118,500	83.81%

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

² 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
1. Mr. Supanut Lekapojpanich	25,000,000	3.79%
2. Ms. Nattaporn Lekapojpanich	25,000,000	3.79%
3. Ms. Nalin Lekapojpanich	24,250,000	3.67%
4. Mr. Kanin Lekapojpanich	24,250,000	3.67%
5. Mrs. Sukanya Lekapojpanich	17,822,500	2.70%
6. Mrs. Sasidhon Lekapojpanich	17,812,500	2.70%
7. Mrs. Sumalee Lekapojpanich	17,812,500	2.70%
8. Ms. Wareeya Lekapojpanich	15,000,000	2.27%
9. Ms. Wanalee Lekapojpanich	15,000,000	2.27%
10. Ms. Waranya Lekapojpanich	15,000,000	2.27%
11. Mr. Prayoon Lekapojpanich	13,687,500	2.07%
12. Mr. Somchai Lekapojpanich	10,187,500	1.54%
13. Mr. Vichai Lekapojpanich	8,737,500	1.32%
14. Mrs. Pranee Koowuttayakorn	-	0.00%
Total	229,560,000	34.78%

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

Name of shareholders	No. of Share (share)	Percentage
1. Mr. Supanut Lekapojpanich	25,000,000	3.79%
2. Ms. Nattaporn Lekapojpanich	25,000,000	3.79%
3. Ms. Nalin Lekapojpanich	24,250,000	3.67%
4. Mr. Kanin Lekapojpanich	24,250,000	3.67%
5. Mrs. Sukanya Lekapojpanich	17,822,500	2.70%
6. Mrs. Sasidhon Lekapojpanich	17,812,500	2.70%
7. Mrs. Sumalee Lekapojpanich	17,812,500	2.70%
8. Ms. Wareeya Lekapojpanich	15,000,000	2.27%
9. Ms. Wanalee Lekapojpanich	15,000,000	2.27%
10. Ms. Waranya Lekapojpanich	15,000,000	2.27%
11. Mr. Prayoon Lekapojpanich	13,687,500	2.07%
12. Mr. Somchai Lekapojpanich	10,187,500	1.54%
13. Mr. Vichai Lekapojpanich	8,737,500	1.32%
Total	229,560,000	34.78%

Note : The names no. 1 - 13 are the same person which are on the Table 2 (The Lekapojpanich group)

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 percent 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 2017, the Company omitted the payment of dividend to Shareholders according to the resolution of the Annual General Meeting of shareholders dated on April 21st, 2017 due to net profit of 512.78 million baht on separate financial statement of the year 2016.

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 10 directors divided into 7 independent directors and 3 executive directors, namely :

- | | | |
|-----|------------------------------|--|
| 1. | Mr. Somchai Lekapojpanich | Chairman |
| 2. | Dr. Vicharn Aramvareekul | Independent Director and Chairman of Audit Committee |
| 3. | Dr. Chaibong Satjipanon | Independent Director and Chairman of Risk Management Committee |
| 4. | Mr. Kriengkrai Rukkulchon | Independent Director and Chairman of Remuneration Nomination and Corporate Committee |
| 5. | Ms. Piyanus Chaikajornwat | Independent Director, Director of Audit Committee and Director of Remuneration Nomination and Corporate Committee |
| 6. | Mrs. Udomwara Dechsongjarus | Independent Director and Director of Audit Committee |
| 7. | Ms. Easra Disorntetiwat | Independent Director |
| 8. | Mrs. Saowanee Kamolbutr | Independent Director |
| 9. | Ms. Viriya Ampornnapakul | Executive Director, Director of Risk Management Committee, Director of Remuneration Nomination and Corporate Committee |
| 10. | Ms. Thitima Vattanasakdakkul | Executive Director and Director of Risk Management Committee |

Note : Director No. 1, 9 and 10 are authorized directors which is required to jointly sign and affix 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 44.

The Company Secretary

The board of director appointed Mr. Pert Leevilaikulrat as the main responsibilities of a Company Secretary to support the work of the Board of director in the relevant with rules and regulations. Profile and details of the Company Secretary is described on page 34. Specific responsibilities of the Company Secretary are described as follows;

1. Provide basic advice on law and the Company's regulation that the Board of Directors needs to acknowledge, ensure that the Board complies with the regulation precisely and regularly.
2. Arrange 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 and ensure that the resolution from the Annual General Meeting of shareholders and at the meeting of the Board of Directors is practiced.
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 and report, in accordance with the relevant laws and regulations.
6. Contact, communicate and inform the shareholders about their rights.

2. The Audit Committee

The Audit Committee consists of 3 independent directors which have 3-year term of director since 3rd March 2016 to 3rd March 2019 namely;

1. Dr. Vicharn Aramvareekul
Chairman of the Audit Committee
2. Ms. Piyanus Chaikajornwat
Audit Committee
3. Mrs. Udomwara Dechsongjarus
Audit Committee

The Audit Committees respectively at number 1 and 3 have experience that can serve to review the reliability of financial statements. The details of duties and responsibilities of the Audit Committee are described in Good Corporate Governance which is on page 52. The audit committee appointed Mr. Naritchai Bhurepongsanond as the secretary of the Audit Committee.

3. The Remuneration Nomination and Corporate Committee

The Remuneration Nomination and Corporate Committee consists of 2 independent directors and 1 executive director which have 3-year term of director since 5th February 2015 to 4th February 2018, namely;

1. Mr. Kriengkrai Rukkulchon
Chairman of Remuneration Nomination and Corporate Committee
2. Ms. Piyanus Chaikajornwat
Remuneration Nomination and Corporate Committee
3. Ms. Viriya Ampornnapakul
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 53. The Remuneration Nomination and corporate committee appointed Ms. Nantana Lakkham as a secretary of the Remuneration Nomination and Corporate Committee.

4. The Risk Management Committee

The Risk Management Committee consists of 1 independent director and 2 executive directors which have 3-year term of director since 23rd February 2015 to 22nd February 2018, namely;

1. Dr. Chaiyong Satjipanon
Chairman of Risk Management Committee
2. Ms. Viriya Ampornnapakul
Risk Management Committee
3. Ms. Thitima Vattanasakdakul
Risk Management Committee

The details of duties and responsibilities of the Risk management Committee are described in Good Corporate Governance which is on page 54. The Risk Management Committee appointed Ms. Napaporn Pornanuwong as the secretary of the Risk Management Committee.

The meeting attendance of Directors

The Meeting attendance of the directors in 2017 are as below;

Director		Attendance / Total of Meeting				
		Board of Director (7 times)	Audit Committee (6 times)	Remuneration Nomination and Corporate Committee (4 times)	Risk Management Committee (4 times)	Meeting of Shareholders (1 times)
1. Mr. Somchai Lekapojpanich		7/7				1/1
2. Dr. Vicharn Aramvareekul		7/7	6/6			1/1
3. Dr. Chaiyong Satjipanon		7/7			4/4	1/1
4. Mr. Kriengkrai Rukkulchon		6/7		4/4		1/1
5. Ms. Piyanus Chaikajornwat		7/7	6/6	4/4		1/1
6. Mrs. Udomwara Dechsongjarus		7/7	6/6			1/1
7. Miss Easra Disorntetiwat		5/6				1/1
8. Mrs. Saowanee Kamolbutr		0/0				0/0
9. Ms. Viriya Ampornnapakul		7/7		4/4	3/4	1/1
10. Ms. Thitima Vattanasakdakul		6/7			4/4	1/1
11. Miss Sunisa Kwanbunbumpen		3/3				0/0
12. Mr. Nantawat Sathirachiyawit		6/6				1/1

Note : 1. The Company arranged the Annual General Meeting 2017 on 21st April 2017.

2. Ms. Easra Disorntetiwat was proposed as Independent Director (replacement for Mr.Somchai Charod) on 18th January 2017.

3. Mr. Nantawat Sathirachiyawit was proposed as Director (replacement for Pol. Gen Wichean Pojphosri) on 18th January 2017.

4. Ms. Sunisa Kwanbunbumpen resigned from her position as Executive Director on 21st April 2017.

5. Mr. Nantawat Sathirachiyawit resigned from his position as Executive Director on 1st December 2017.

6. Mrs. Saowanee Kamolbutr was proposed as Independent Director (replacement for Mr. Nantawat Sathirachiyawit) on 1st December 2017.

7. The board of director and Management set the meeting to consider and approve the company strategy for year 2018 - 2022 on 18th October 2017.

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 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 blood-related or having legal registered relationship, in the way of fatherhood, motherhood, spouse, brother, sister, son or daughter, including spouse of son or daughter, with 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 be able to give optional report

work performance as required by his duties, free from any personal interest, the influence of any person or group of person or any circumstance 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. 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 years before the date of filing the request is allowed by Securities Exchange Commission Thailand.
7. Not being or used to be a 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, non-independent 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.

Management Team

As of January 1st, 2018, the management team comprises of 7 persons as follows;

- | | | |
|-----------------|------------------|-------------------------|
| 1. Mr. Somchai | Lekapojpanich | Chief Executive Officer |
| 2. Ms. Viriya | Ampornapakul | Chief Financial Officer |
| 3. Ms. Thitima | Vattanasakdakul | Chief Operating Officer |
| 4. Mr. Nantawat | Sathirachaiyawit | Engineering Director |
| 5. Mrs. Phathra | Chanyavilas | Marketing Director |
| 6. Mr. Supat | Borsombat | Sale 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 31st, 2017, the Company paid the meeting allowance and gratuity to independent directors while the executive directors was paid only gratuity.

Director		Compensation (Baht)				Total
		Board of Director	Audit Committee	Remuneration Nomination and Corprate Committee	Risk Management Committee	
1. Mr. Somchai	Lekapojpanich ^{1/3}	480,000				480,000
2. Dr. Vicharn	Aramvareekul ²	390,000	240,000			630,000
3. Dr. Chaiyong	Satjipanon ²	390,000			220,000	610,000
4. Mr. Kriengkrai	Rukkulchon ³	370,000		220,000		590,000
5. Ms. Piyanus	Chaikajornwat ²	390,000	150,000	130,000		670,000
6. Mrs. Udomwara	Dechsongjarus ²	390,000	150,000			540,000
7. Miss Easra	Disornetiwat ²	330,000				330,000
8. Mrs. Saowanee	Kamolbutr ²	20,000				-
9. Ms. Viriya	Ampornnapakul ³	240,000		90,000	90,000	420,000
10. Ms. Thitima	Vattanasakdakul ³	240,000			90,000	330,000
11. Ms. Sunisa	Kwanbunbumphen	140,000				140,000
12. Mr. Nantawat	Sathirachaiyawit	200,000				200,000
Total		3,460,000	540,000	440,000	400,000	4,960,000

Note : ^{-1/} Chairman ^{2/} Independent Director ^{3/} Executive Director

- The Company arranged the Annual General Meeting 2017 on 21st April 2017.
- Ms. Easra Disornetiwat was proposed as Independent Director (replacement for Mr. Somchai Charod) on 18th January 2017.
- Mr. Nantawat Sathirachiyawit was proposed as Director (replacement for Pol.Gen Wichean Pojphosri) on 18th January 2017.
- Miss Sunisa Kwanbunbumphen resigned from her position as Executive Director on 21st April 2017.
- Mr. Nantawat Sathirachiyawit resigned from his position as Executive Director on 1st December 2017.
- Mrs. Saowanee Kamolbutr was proposed as Independent Director (replacement for Mr. Nantawat Sathirachiyawit) on 1st December 2017.
- The board of director and Management set the meeting to consider and approve the company strategy for year 2018 - 2022 on 18th October 2017.

Remuneration for Executives: In 2017, the Company paid the remuneration to 7 executives in the total of 53,662,600 baht which divided into salary and bonus.

5% rate of salary. In year 2017, the total of provident fund that the Company paid for executives is 972,380 baht.

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.

Other remuneration for Executives: The Company has provident fund for executives and the Company pay in the

Employee

As of December 31st, 2017 number of employees in the Company's main line is as follows. (excluding Executives)

Position	Quantity
Finance	102
Administrative	251
Factory	424
Central Committee	8
Total	785

Remuneration of employee (Executives excluded)

In 2017, the Company paid the remuneration to the employee (excluding Executives) in the total of 177,263,802.99 baht which divided to salary, bonus and provident fund.

Auditor Compensation

In 2017, the Company and its subsidiaries compensated EY Office Company Limited and person or business involving with the auditor their affiliated organization for the audit as follow;

1. Audit Compensation

Company	Audit Fee (Baht)
1. Pacific Pipe Public Company Limited	1,140,000
2. Tamose Trading Company Limited	30,000
3. Meesup Transport Company Limited	240,000
Total	1,680,000

2. Other Compensation

-None-

Nevertheless, the audit company and the auditor acquire no relation or any interest with the Company / the executives / major shareholder or their related parties.

THE COMPANY'S GOOD CORPORATE GOVERNANCE POLICY

Definition

The Company's good corporate governance policy is based on the Principle of Corporate Governance Code for listed company 2017 (the "CG CODE") by Securities and Exchange Commission Thailand (SEC) adapt to the principle of The Organization for Economic Co-Operation and Development (OECD). The Company uses the two organization's principles as the Company's corporate governance guideline. As for the practices that have not been applied. The reasons are recorded in the minute of the Board of director's meeting.

A definition of the Company's corporate governance is the relationship and regulatory measures that create value for a sustainable business. In addition, corporate governance policy also includes management system and internal control of the Company to achieve goals for utmost benefits to the shareholders in long term under the 8 principles of the CG CODE. The Company holds to all principles, to create confidence to all related parties, as the basis of sustainable growth of the business with transparency, integrity, accountability and competitiveness.

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

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 Rights to receive, transfer shares and share repurchase by the Company and rights to receive sufficient information punctually 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.

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

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

Rights to elect directors:

1. Each shareholder is entitled to vote equaling to the number of shares held.
2. Each shareholder appoints the directors individually.
3. The persons receiving respective votes from the highest votes downwards shall be the elected directors equal to the number of directors permitted or to be then elected. In the event that the elected directors in the lower order have equal votes and the number is in excess of the number permitted or to be then elected, the chairman of the meeting shall have a casting vote.

1.4 Rights to the equally divided profits.

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

2.1 Aware of Thai and foreigners' shareholders, the Company shall prepare the documents about shareholders' meeting and memorandum in both of Thai and English.

- 2.2 The Company gives an opportunity to shareholders for proposing agenda item or submitting questions in advance before the end of fiscal year via www.pacificpipe.co.th.
 - 2.3 In the general meeting of shareholders, the Directors and financial executives, including the Company's independent auditors will attend the meeting. The chairman will provide all shareholders with sufficient time for questions. The directors who involve in the questions will explain all questions completely. The voting results will announce on the next business day through the website of the Stock Exchange of Thailand and the Company's website. The minutes of annual general meeting of shareholder is published within 14 days from the meeting date via www.pacificpipe.co.th and send the original minute to The Stock Exchange of Thailand.
 - 2.4 All compensation of the Board of Director is approved by the shareholders annually. The Company will propose the criteria, methods and compensation of a year before for comparison.
 - 2.5 During the agenda of directors' appointment, the voting shall be conducted individually.
 - 2.6 The Company specifies each agenda item clearly and there shall not be any agenda items which have not been included originally in such meeting added without prior notification to the shareholders.
2. The Company aware of the convenience of all shareholders and institutional investor to attend the AGM such as the place of meeting and access to information through the Company website. The Company details to shareholders to bring all necessary documents to the meeting to maintain the rights to attend, according to company's regulation of shareholder meeting. The Company attaches proxies to shareholder who would like to authorize other person or the Company's independent director to attend the meeting instead. The shareholders can download the proxies via the Company's website at www.pacificpipe.co.th
 3. The Company provides the shareholders with an opportunity 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.
 4. In shareholders' meeting, the process of register and count the vote use the technology and show the result on the screen. 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. Shareholders can inquire information, express opinion and suggestion, use a ballot paper and acknowledge the voting results on each agenda.
 5. Shareholders who attend after the meeting has started are able to vote in the agenda that is in pending and undetermined by vote.
 6. The minute of shareholder's meeting must be record the information as follows;
 - (1) The names of directors and executives that attend the meeting and the proportion of directors who attended and do not attend the meeting.
 - (2) The method of voting and counting the vote, the resolution of shareholders and the result of vote (approve, disapproved or abstained) of each agenda.
 - (3) The questions and answers at the meeting including name-surname of questioner and answerer.

Section 2 Equitable Treatment of Shareholders

Attending the shareholders' meeting

1. The Company releases the meeting documents, Thai and English, 30 days in advance in the Company's website at www.pacificpipe.co.th before the meeting date and before the documents are sent to shareholders. In sending process, the Company granted the document to Thailand Securities Depository Co., Ltd., the registrar of the Company, and the document will be delivered to the shareholders 30 days before meeting date.

The conflict of interest

The Board of Directors defines the measures of the use of inside information in the ethics and code of business conduct to prevent any misuse of the inside information for personal benefit. The details are described as follow;

1. The conflict of interest

- 1.1 The employees should avoid any action that may cause the conflict of interest with the Company, be it contacting with any parties relevant to the Company's business, such as trade partners, customers or trade competitors, taking opportunity or using information that obtained by position to gain personal advantage, competing with the Company or performing other works that impact the employees' duties.
- 1.2 The employees should omit ownerships of trade competitors' shares if such ownership influences the employee to act or omit their jobs or affected the tasks. In case of the employees hold the share before working at the Company, before the Company enters the same business, or own the share by heritage, the employees must report the issue to their chief.
- 1.3 The employees who are a part of the stake holding are prohibited 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 the employees hold a stake must be disclosed to the Company before involving the transactions.
- 1.5 Performing a task from subsidiaries will be allowed only by managements' or directors' approval. However, the Company's employees must not perform a task 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, analyze and discuss the item without the influence of such person.
- 1.7 The Board of Director and executives shall consider the conflict of interest involving connected transactions between the Company and its subsidiaries or its parent company independently with prudence, honesty, ethically and take the Company's benefits into account.
- 1.8 The Board of Director and executives must report a related transaction that relate to the Company or subsidiaries' business management to Internal Audit Department quarterly or when the transaction occurs, and internal audit will report the issue to the Board of Director quarterly.

2. Use of inside information

Inside information is the management operation data which is the Company's confidential information and undisclosed to the public. If the information is disclosed, it would affect the Company or its subsidiaries and, particularly, the value of stock trading in the stock market. The Company employees and subsidiaries must not disclose inside information gained from their duties to others or misuse the inside information to gain personal advantage or to decrease the Company's benefits. Especially, the use of inside information to trade the Company's share for benefits of individual or others is considered as violation of section 241 of Securities and Exchange Act, B.E. 2535.

- 2.1 Directors, managements and employees at all levels of the Company are prohibited to use essential inside information which are undisclosed to the public for their benefit or others until information is disclosed to the public for 24 hours.
- 2.2 The Company's employees at all levels must maintain privacy of customer and trade information.

Employee must not disclose such private information to the public or other unauthorized party, unless it is required by law, for court cases, or approve by the 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 accuracy and consistency of the information disclosure.
- 2.5 Any advice about the Company's securities trading must not be provided unless it is related to a duty assigned by 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 level, 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 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. The Internal Audit, then, will report the change of securities of such person to the Board of director.

Section 3 Role of Stakeholders

The Board of Directors recognizes the sustainable growth by taking into account expectations and the impact that may affect to all stakeholders. The Board of Directors ensures that objectives, goals and the strategy of the business are consistent with the achievement of the Company's objectives. The management responds to report the Board of director at least once a year on these matters;

- Activities to treat stakeholders.
- Stakeholder needs which are still based on social and environmental responsibility.

The practices with Customers

1. Deliver standardized and high-quality products under fair conditions and on the basis of fair gain for both parties.
2. All of employee must be dedicated, strive to develop quality products and service at a reasonable price in current situation, fair terms and conditions without any restriction of consumers' fundamental rights.
3. Employees must comply with contract or conditions strictly. If the employees are unable to comply with any part of the condition, they must notify the partner and/or creditors in advance to joint consideration for solutions.
4. The employees must keep customers confidentiality seriously unless there is a written allowance from the customers or by the law to disclose. In addition, such information must not be used for personal and other elated party's benefit.

The practices with Trade Competitors

1. All of employee operates business under free and fair competition. Untruthful accusations, unreasonable or doubtful information to discredit competitors shall not be tolerated.
2. Employees must not seek for the confidential information of trade competitors in an inappropriate and dishonest way, such as bribing to employees of competitors.
3. Employees must not defame the trade competitors by an unreasonable accusation or without information.

The practices with trade partner

1. Purchasing supply must be verifiably processed to provide transparency and maximum benefit.
2. The Company must conduct to trade partner with equality on the basis of fair competition.
3. Employees must purchase and supply goods and services by taking into account the need for value, price and quality. Providing equal information, fairly accurate, unbiased, non-discriminatory to vendors, including purchasing and supplying concisely consistent appropriately to the circumstances.
4. 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.
5. The employee shall strictly adhere to contractual agreements. If either the Company or the trade partner fails to comply with the agreed terms and conditions, or circumstances that render compliance impossible, the Company employee shall report to their supervisor for solutions.

The Practices with shareholders

The Company is committed to creating sustainable business growth and ability to competitive to generate value added to shareholders in long term by:

1. Having 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. However, such dividend payment can be changed, depending on the Company's performance, financial status and the Company investment's plan.
2. Establishing the Board of Director and sub-committee to approve the business direction, planning, objectives and budget. As well as reviewing the operation of the Company, in accordance with the laws and related regulations considering the highest interests of

the Company, shareholders and stakeholders.

3. Shareholders and stakeholders can report or complain any issue that may cause damage to the Company to the Board of Director via Investor Relations as described below;

Investor Relations Department

Pacific Pipe Public Company Limited

Address : 1168/68-69 Floor 24th Lumpini Tower

Building, Rama IV Rd., Bangkok 10120

Telephone : +662-2679-9000

Facsimile : +662-679-9201-3

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

Investor relations will collect report or complaint by shareholders and send it to the Remuneration Nomination Corporate Directors who is responsible for investigating the issue and report it 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 condition strictly. If the Company fails to comply with the agreed terms and conditions, the Company shall inform to the creditor in advance to have joint consideration for solutions. In business negotiations, employees should avoid any request or payment of any benefits in dishonest trade.

The practices for the Community and Social Responsibilities

1. Support preservation of the company's local environment, education, religion, arts and traditions.
2. Conduct activities and cooperate with the governments and community in order to enhance quality of life, society, community, and environment constantly.
3. Prevent accidents and control disposal of waste in an acceptable standard level.
4. Instill employees with responsibility for society, environment and natural resources.

5. Encourage effective utilizing of materials, equipments and resources.

Policy on Observation of Human Rights and Labor Practice

1. The Company is against the enforcement of labor or prison labor and the use of physical punishment or threat, be it physical, sexual, mental or verbal abuse, as the measures of discipline or control.
2. Being against the use of child labor, the Company does not hire people under 15 years old, be it during business hour or non-business hour, paid or unpaid.
3. The Company hires foreign workers legally under the labor law.
4. The Company recruits a person to each position fairly, considering the qualifications of each position, education, experience and other requirements necessary for the job. The Company treats its personnel equally without discrimination on 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 acknowledges employees as valuable resources which are the key of company's success. For these reasons, the Company provides employee with welfare and training to ensure their skilled performance and stability by :
 - 5.1 Giving fair salary which appropriate with the employees' responsibilities. All employees at all levels will receive a performance evaluation using Key Performance Indicators (KPIs) as a basis for remuneration in the form of annual salary promotion and bonus.
 - 5.2 Organizing orientation and give manuals to new employees to acknowledge and understand the rights, ethics and to comply strictly with labor law.
 - 5.3 Focusing on developing and providing training and education to employees continuously to increase working efficiency. Moreover, a promotion test is arranged yearly to promote the employees' career path.

- 5.4 Setting up the provident fund to employee for supporting in saving account in long term for employees and their family when they resign, retire, become disabled or died. Including encourage employees to have knowledge and understanding the money management

6. The Company establishes a Security Committee to maintain an environment that is safe for the life and property of the employee.
7. The Company keeps personal data of the employees such as health records, biographies, resumes etc. A disclosure or transfer of the employees' personal data to the public needs approval from the employees. The violation of the regulation is disciplinary offense unless it is done according to the Company regulations or law.

Policy on Occupational Safety, Health, and Working Environment

The Company recognizes an importance 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 in order to afford safety to lives and property of themselves, others and the Company.
2. The Company encourages all employees to understand and recognize occupational safety and health concern in their operation.
3. The Company recognizes an importance of operational accident prevention.
4. The Company supports and promotes the improvement of working environment and working with a safe and healthy condition.
5. The Company will support and promote activities about work safety by training, providing the knowledge, reviewing and practicing as well as organizing various

activities to raise awareness of security work among the employees continuously and is always prepared.

6. The Company will prepare and provide the employee with standardized and quality personal protective equipment appropriate for employees' work.
7. The Company monitors security issues and ensures that the employees comply with the regulations about the Company's security and use the equipment as defined.
8. All employees participate in accident prevention and environmental protection. The Company welcomes any feedback and comments from the employees. Taking them into account, the Company will find a proper solution for any defect for the utmost safety of the employees.

Policy on practice by using information technology and communication

1. Provide the information technology policy, then report of the Board of Directors and review at least once a year. The policy must cover the following matters;
 - 1.1 IT resource allocation policy that ensure adequate and optimal investment in and allocation of IT resource.
 - 1.2 IT security policies and procedures are in place.
 - 1.3 The Company supports the use of licensed and copyright equipment and software only.
2. Employee shall not perform any act causing disruption to others on the computer and Internet system in the office. Employee must not use the computer system to release inappropriate information that is against the law, morality, culture or tradition, such as, causing damage to reputation or property, possessing pornography, forwarding disrupting e-mail.
3. The employees must secure their password from other people's access. The employees must not access to unfamiliar website which could harm the Company's computer system.

4. Should the employees ask for their supervisor's permission to allow an external user to access the Company's information technology system, the employees have to monitor the external user and be responsible for any damage caused by the access.
5. The Company can examine, search, investigate and control the employees' information technology usage in order to ensure the safety on company's IT system.
6. The employees have to ask for their supervisor's permission before using additional computer devices brought from outside at the Company.

Policy on Intellectual Property

The Company complies with intellectual property laws. Any copyright works accepted or used in the Company must be ensured that it does not violate other people's intellectual property.

1. Any work performed by duty or task of the Company is considered the Company's intellectual property.
2. When the employees discharge from their condition of employment, the intellectual property, works, innovation or information in any format must be returned to the Company.
3. Employees who use the Company's computers should use only the licensed software programs permitted by the Company to avoid intellectual property of violation.
4. Employees must check beforehand that the work or information that belongs to third parties used in the Company is not violating intellectual property of others.

Section 4 Disclosure and Transparency

Principle

Company discloses important information related to the Company, financial and non-financial information with accurately, completely, timely, transparent and equitable through both the SET and the Company's website.

The best practices

Information and report

1. The Board of director ensures that all important information related to the Company, both financial and non-financial is disclosed accurately, thoroughly, equitably, and punctually according to the regulation of the Securities and Exchange Commission Thailand (SEC) and regulation of the Stock Exchange of Thailand. Apart from the Annual Statement (Format 56-1) and Annual Report (56-2), the Company also discloses the information via its website for the shareholders, customers and other people interested to access the reliable information conveniently and equally.
2. The Board of Director entitles Investor Relations Department and assigns management sets the person who takes responsibility as the Company representatives to communicate and provide investors, stock analyst, stakeholders and its related parties. All stakeholders will get the Company's information equally as the board of director. To contact investor relation department, please see the information on page 64
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 for a particular matter that the

resolution of the shareholders' meeting is required, for instance, a connected transaction, acquisition or distribution of major assets under the Stock Exchange of Thailand regulations or regulations of other government agencies. The directors and executives have performed their fiduciary duties with the required responsibility, due care and royalty reference should be made to the applicable law and standards, including those contained in the Securities and Exchange Act of Thailand 1992. The scopes of duties of the Board of directors are described as follow;

1. To consider and define the Company's business direction, vision and mission with considering the business environment, opportunities and the Company's risk appetite that may occur to all relevant factors influencing the value chain. The board should promote innovation and the use of technology with appropriately and review such issue in every 5 year at least. The board should ensure that the executives communicate to all personnel at all level and follow up the result operation. To evaluating the performance, the company takes in to account both of the company's financial result and non-financial performance such as its ethics, impact on environment.
2. The Board of Directors requires the Company Secretary to coordinate internal training for new directors to understand the nature of the business, including management structure.
3. To perform duty with caution and responsibility for shareholders and perform in accordance with the law, objective, regulation and resolution of the shareholders with honesty.
4. To ensure that the Company has an effective written corporate good governance policy ethics and committee guidelines and approve the policy.
5. To revise and evaluate the operation in accordance with Corporate Governance policy, Ethics and Code of Business Conduct and committee guidelines at least once a year.

6. To revise and comment on the sufficiency of the Company's internal control annually.
7. To determine the level of The Chief Executive Officer and the managing director's financial authority and establish the guidelines for the Company's written procurement policy.
8. To consider and/or approve to the relevant transaction of the Company and its subsidiaries in order to comply with relevant notifications by the Stock Exchange of Thailand.
9. To approve significant transactions such as investment projects and other transactions stated by the law.
10. To establish a reliable financial report and audit system.

Authority of the Board of director

1. Determine the authority of the Chairman and the President.
2. Appoint, discharge and entitle sub-committees.
3. Consult to the Company's experts or counselors (if any), or hire external experts and counselors in case of necessary.
4. Approve or cancel the credit limit that is beyond the management's authority.
5. Approve and/or agree to the related transaction of the Company and its subsidiaries to comply with the rules of the Stock Exchange of Thailand.
6. Approve irregular transactions in financial amount that is beyond the management's authority.
7. Appoint and discharge the Company Secretary.
8. Approve the important transaction such as investment project and any action defined by law.

Chairman

1. Be responsible as the Board of Director's leader, for oversee, monitor, and ensure that the board efficiently carries out its duties to achieve the company's objectives.
2. Ensure that all directors contribute to the Company's ethical culture and good corporate governance.
3. Set the board meeting agenda by discussing with an

independent director.

4. Be a Chairman of the Board of Directors meeting and the shareholders meeting.
5. Allocate sufficient time for management to propose topics and for directors to debate important matters thoroughly. Encourage directors to exercise independent judgment.
6. Be a coordinator for the Company and external organizations such as state agency, local organization and press in case of necessary with a Chief Executive Officer as the Company's major announcer.
7. Promote a culture openness and debate through ensuring constructive relations between executive and non-executive directors, and between the board and management.

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 top management of the internal audit department.
4. To approve internal audit plans, budget and manpower of internal audit department.
5. To consider and review the independence and performance report of internal audit unit.
6. To verify that the Company has appropriate and effective risk management, including the internal procedure of trace and complains receiving.
7. To verify 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 the auditor's payment based on creditability, resource adequacy, workload of the audit firm and experience of the auditor.
 - 8.2 To consider independence of the auditors to nominate, propose or relieve the Company's auditor.
9. To examine the Company's information disclosure to comply with relevant regulations in case of related transaction or conflict of interest occurs.
10. To perform other tasks as assigned by the Company's Board of Directors and consent by 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 assigned by the 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 its regular activities to the Board of Director for their acknowledgement
15. Report any suspicious transaction or action that might significantly affect the Company's financial status and operating results to the Board of Director in a proper period of time to cope with the matters. The following list consists of transactions and action needed to be reported:
 - 15.1 Transaction with conflict of interest.
 - 15.2 Corruption, irregularity or 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. Should the Audit Committee reports to the Board of Director about matters that significantly affect the financial status and operating result, consults

with the Board and executive about the solution in a consensual time but the Audit Committee finds no action to cope with the problem and no reasonable excuse for the neglect, any individual of the Audit Committee could report the problem to the Office of Security and Exchange Commission and/or the Stock and Exchange of Thailand.

16. To report a preliminary audit result to the audit office and auditor within 30 days since there is a report from the auditor about suspicious action of a director, manager or individual responsible for the organization's operation that violates Security and Exchange Act (4th edition) 2008.

The Remuneration Nomination and Corporate Committee

The Nomination

1. To set the nominate criteria and process consistent approved by the board of director.
2. 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.
3. To appoint an appropriate committee as member in sub-committees and present to the Board of Directors in accordance with the principles of good corporate governance policy.

The Remuneration

4. To determine necessary and appropriate compensation in terms of money and other benefits for the directors, sub-committee's directors and the executive directors yearly. The compensation will be proposed to the Board or the shareholder's meeting for the approval.
5. To consider salary adjustment and other welfare or benefit to the Chief Executive Officer and propose
6. To be accountable to the Company's Board of Directors by explaining and answering the questions regarding the directors' compensation during the shareholders' meeting.

The Corporate Governance

7. Define the Company's Corporate Governance, Ethics and Code for Business conduct and Corporate Social Responsibility and propose to the Board of Director for the approval.
8. Set the CRS report approved by the board of director.
9. Operate other task assigned by the Board.

The Risk management Committee

1. To define risk management policy and propose to the Board for the approval.
2. To provide suggestion on the result and method of the 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 to manage occurred risks.
3. To manage the reconsideration of the Company's and it subsidiaries' risk regularly, covering internal and external issues stated as follows:
 - Risk strategy
 - Operating risks and The compliance risk
 - Financial risks
4. To monitor, control and revise the risk management policy, strategy and conduct when the risks occur at least once a year to ensure that the risk management strategy is effectively and appropriately practical to a particular situation.
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, exchange information and coordination in risk management and internal control with the Audit Committee.
7. To appoint a team and/or management team to support the process and risk management activities, as appropriate and necessary.

8. To perform any task assigned by the Board.

Chief Executive Officer

1. To conduct and propose the Company's business policies, goals, operational plans, business strategies, and annual budgets to the Board of Directors for approval.
2. To set business plans, budgets, and management authorities to seek approval from the Board of Directors.
3. To approve financial activities to purchase raw materials within 250 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 approve the Company's investment transactions and financial activities as follows:
 - Investment transactions with amount within 30 million baht.
 - Asset procurement for the Company's business expansion within 50 million per transaction with an amount of 100 million in total. In case of the amount exceeds 100 million baht, ratification is a must upon completion of the transaction. Should the amount is not exceeded, it will be included 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 efficiently and appropriately with business condition.
6. To set efficient organization and management structures, 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 individual or team to engage in any activity as it deems appropriate. Chief Executive Officer is entitled to cancel or change the authorization.
8. To perform any task assigned by the Board of Directors.

Duties and responsibilities shall not be granted or sub-granted in a manner that a proxy can approve any transaction involving the proxy's or other's interest or conflict of interest with the Company and its subsidiaries, (as defined in the Notification of Security and Exchange Commission.) Such transaction must be propose to the Board of Director and/or shareholder's meeting to approve, according to the regulation of the Company and its subsidiaries or other relevant laws, except for the transaction with regular condition and clear scoping business.

Internal Control of the Company

The Company's Internal Audit is an independent department that examines every department's operation to comply with the rules and evaluates the effectiveness and efficiency of each department's internal control. It ensures the managements that the current internal control is regularly and properly active. It also searches for weakness and error of the operation and help improve it. The Internal Audit can examine and balance completely since it can report directly to the Board as shown in a structure on page 36

The Organization and the environment

1. The Company defines explicit business goal and can be assessed and presents them 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 to sign for acknowledgement so that the employees can perform without violating ethics and code of business conduct.
3. The Company establishes organization structures that are clearly categorized by each sector's duty and concretely entitles an approval authority, to help the operation run effectively and properly according to the business size and condition.
4. The Company Define and provide job description which

specifies a nature of each job and proficiency of the position to select personnel properly.

5. The Company has Human Resources management policy of recruiting proper personnel for a position, personnel development and training, promotion, salary promotion and reasonable incentive and reward.

To control

1. Apply Key Performance Indicator (KPI) that clearly defined, as a tool for planning and controlling operating results.
2. Appoint authorities to approve financial amount for each type of transaction with concrete evidence.

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.

Board's Opinion on Internal Control System

The Board of director and the audit committee agree that the Company has adequate and appropriate internal control system to operate in the current situation. The Company has adequate staffing and can monitor and control the operation of the Company or its subsidiaries to protect the assets from being misused by the directors or executives. In assessing the internal control system, the Company has used the assessment form of the Securities and Exchange Commission to evaluate the adequacy of the Company's internal control system.

Head of Internal Audit

The Company has nominated and appointed Mr. Naritchai Bhurepongsanond as the head of the Company Internal Audit Department since 1st April 2004 considering his

proficiency and a 7-year experience of internal audit in the industry. The details of the Head of Internal Audit are stated as follows;

Mr. Naritchai Bhureongsanond (Age 44)

Position

- Assistant Vice Resident of Internal Audit

Education

- Bachelor of Accountancy, Rajamangala University of Technology Thanyaburi

Training

- Certificated Professional Internal Auditors of Thailand Class 12, The Institute of Internal Auditors of Thailand
- Internal Audit Program: Prepare Course for Certificated Internal Auditor, Class 5, Chulalongkorn University

Work Experience

2004 - Present	Internal Audit Manager Pacific Pipe Public Company Limited
1997 - March 2004	Internal Audit Supervisor IRPC Company Limited

An appointment, transferring, discharge and operating result assessment of the top management of the internal audit always need a resolution from the Internal Audit Committee.

Risk management

The Board of Director supports the internal risk management system, which is an important factor for the Company to achieve its objective and increase value to the stakeholders. Therefore, the Board of Director assigns the managements and employees in every department to manage their department's risk. Their responsibility is to evaluate, manage and maintain the risk under the Company's risk appetite. It also supports risk management to become part of the organizational culture, raising every employee's awareness about the importance of risk management by establishing effective risk management procedures. Every procedure should comply with risk management framework from international standard of The Committee of Sponsoring Organization of the Treadway Commission or COSO which includes internal control system guidelines framework(COSO)

and risk management guidelines framework (Enterprise Risk Management, ERM), according to the Corporate Governance to increase opportunities of success using limited resources effectively and decrease the uncertainty in operation results. The Company's risk management procedures consist of 8 elements as follows;

1. Internal Environment

This process is emphasized on planning the strategy process to understand the principles and reasons for determining the Company's strategy for specifying the risk factors covering all significant activities in the Company. The strategy starts with the chief executive defining the annual mission plane relates to the Company's vision. Each department or activity executive is responsible for establishing annual operation plan and budget, activities and defining KPI's to evaluate every activity achievement.

2. Objective Setting

The Company objective must be relevant to its vision, mission and business direction, and show coherence among the Company, department, activity and personnel. In order to achieve the overall objective, understand operational framework at all levels and analyze the risk thoroughly, the objectives must reflect the results the Company wishes to achieve, not the procedures.

3. Event Identification

Being aware of risk, the Company also provides training to staff. Identifies situations or instabilities that cause error, failure, damage or loss which affects the objective achievement of the department and company, without considering the existing control, possibilities or instabilities to ensure that risk event identification covers all activities.

Analyze each risk event to search for relevant causes that define the risk factor and risk categories which the Risk Management Committee categorizes into

3 types as follows;

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

4. Risk Assessment

After the risk owner had identified risks and scored, the risk appetite of the Company will be assessed the level of inherent risks that do not have any actions and revise the risk matrix when considering the effective control of the risk factors. The details of best practices are as follows;

- 4.1 Assessing the risk matrix is done by measuring the intenseness, frequency or probability of earlier events, recovered risk factor or indicated risk in earlier procedure to indicate the essential of the risk.
- 4.2 The risk matrix is done by arranging multiples risk factor in sequence to provide a clearer vision in selecting risk factors to define risk management plan in order to reduce risk matrix

5. Control Activities

Control Activities is the consideration of efficiency and effectiveness of control activities that decrease the risk level under the risk appetite of the Company by considering the effectiveness of controls after assessing the inherent risks and the risk response.

The efficiency, effectiveness of control effectiveness will be considered based on the use of existing resources of a department, be it human resources, budgets, time, materials or devices to reduce and prevent the opportunity of risk events or reduce the impact when the risk event occurred. The management cost must worth or lower than the consequence from the risk stated.

6. Risk Response

After assessing and arranging risk matrix which reflect residual risk and risk that is higher than the risk appetite, the risk owner must plan a management to reduce the occurring probability and consequence by considering the use of the existing resources to gain utmost benefit, comparing risk nature, risk matrix, cost and resource used in that option to the expecting result. The Risk Management Committee assigns the risk owner of each department to indicate Key Risk Indicator (KRI) and Key Performance Indicator (KPI) to evaluate the active plan achievement. There are 4 options to manage the risks;

- 6.1 Avoid. High risk and risks that the Company cannot endure will severely affect the Company, projects, activities or procedure and there is no approach to handle them. In this case, avoiding such risks is an appropriate approach. Some examples of avoiding risk are ceasing the project, reducing the workload of the project or reducing activities in the project.
- 6.2 Share. Spread or transfer risks to other department, both internal and external, to share the responsibility for the risk, especially the risk is deemed to be unexpected, difficult to prevent or severe such as natural disasters. The organization handles such risk by applying for insurance or hiring counselors to handle risks from inexperienced personnel.
- 6.3 Reduce. The risks from internal factor or causes can be reduced and controlled by internal control or developing the operation. The approach is to redesign the operation method in order to decrease probability of damages and effects to maintain the risk appetite level. For example, provide employees with training and operation manual to decrease risks form errors or using strategies and measures to reduce consequence or intenseness of external risk.

6.4 Accept. A risk endured by the Company or risk appetite is a low-level risk or a risk that has too high management cost to worth the benefit or a risk that is beyond the Company's control which might occurred from external factor such as government's policy or law.

7. Monitoring

Monitor and assess risks according to how a risk owner to analyze whether the risk management is effective. Should there be an unacceptable risk remaining after the department has launched the risk management, the risk must be assessed to find its level of intenseness and the management method. Then, the issue must be proposed to the Risk Management Committee to advise and allocate budget to support. However, the risk management can be achieved with the executive's support and adapting the residual risk into risk management.

8. Information & Communication

Integrated risk management can be conducted continuously with support from the Chief Executive of the Company and cooperation from all employees in the Company. There must be an effective information system program and communication, both in public relations, training and monitoring for ongoing management. Currently, the Company has communicates via the Risk Management Committee meeting and invites risk owners to observe a progress in risk management in each department.

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 regulation number 11 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." Presently, the Company director consists of 10 directors, which are 3 executive directors and 7 independent directors.

- 1.2 In case, the chairman is not an independent director, the member of independent directors must more than half of number of directors. The board of director must appoint one independent director to discuss the board meeting agenda with the Chairman.
- 1.3 The director nomination complies with the Company's regulation and relevant law and must be transparent. The nomination must be approved by the Remuneration Nomination and Corporate Committee and proposed to the Board or shareholders meeting for approval, as the case may be.
- 1.4 The Chairman shall not be a chairperson or a member of 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 compliance with relevant laws and regulations.

2. Qualification of directors

- 2.1 A director must be a proficient person with business ethics who dedicates time, knowledge, ability and attempt to the task and be independent in making decision.
- 2.2 Qualified with no disqualification according to the Public Limited Companies Act and other related laws.
- 2.3 Limited positioning in other companies to 5 companies or less.
- 2.4 Limited positioning of chief executive officer, chief financial officer (management director) and chief management officer in other companies to 3 companies or less.
- 2.5 Independent according to the regulation of the

Security Exchange Committee and the Stock and Exchange of Thailand.

- 2.6 A director position period complies with each board of director's charter. According to the charter no. 13, one-third of the directors resign in every Annual General Meeting. Should the director number cannot be divided into 3, director number that is the closest to one-third resigns. Directors resigning in the first and second year after the Company is listed can be decided by drawing lots. For the later years, directors who positioned the longest shall resign. However, the resigned directors can be appointed to the position again.

3. Diversity of the board of director policy

The Board of Directors is aware of the diversity of the Board of Directors. This is an important factor in enhancing the decision making and working efficiency of the Board of Directors.

Diversity is not limited only to sex, but also to the age, education, professional experience, skills and knowledge. Therefore, knowledge, ability and diversity are including in the criteria of consideration to appoint the board of director's member.

4. Sub-committee

Apart from the Board of Director, there are 3 sub-committees: Audit Committee, Remuneration Nomination and Corporate Committee and Risk Management Committee. The authorities, roles and working period of the committees are stated as follows;

4.1 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.

4.2 Remuneration Nomination and Corporate Committee

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

4.3 Risk Management Committee

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

5. The Meetings

In each year, the Board arranges annual meeting schedule in advance, for 6 times at least. Before the meeting date, the Company delivers invitation letter and document for the Board meeting at least 7 days in advance. All directors can submit meeting agenda items or inform the Company when one cannot attend the meeting at least 1-2 days in advance. The directors should attend not less than 75% of the total number of Board meetings held during the year. During the meeting, there will be sufficient time for discussing and expressing opinions, including senior executive explaining information as a person involving directly with the problem via executive director. In terms of voting, at least two-third of all directors must be present as the Board is voting. The minutes of the meeting must be written. In addition, the Board of Directors has the policy to hold a meeting of non-executive directors at least once a year.

6. Compensation

- 6.1 The Remuneration Nomination and Corporate Committee define compensation for the Board of Directors by making propose the issue 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 able to

compared to other organization in the same-leveled industry and sufficient to maintain the proficient directors in the Board. The compensation there of is divided into the directors' meeting allowances and gratuity.

- 6.2 For the compensation of the top executive, the Company has been measuring the performance of the executives yearly using the key performance indicators (KPIs). The evaluation of top executive's performance is divided into 2 categories which are
- 1) A measure of success based on the Company's goals.
 - 2) Individual evaluation of the Board of Directors performance. Then the Remuneration Nomination and Corporate Committee will consider the compensation that reflects the performance and a standard for compensation among other companies in the same industrial field and propose the appropriate amount of compensation for the Board's approval. On the other hand, the Chief Executive Officer will assess and decide a compensation for chief financial officer (management director), executive director.

7. The board of directors' report

The Board of Directors is responsible for the consolidated balance sheets of the Company and its subsidiaries. The balance sheets are executed according to the accounting standard. The applicable accounting method shall be appropriate and consistent. The method selection shall be done with cautions and best assessment. They must ensure that the Company adequately discloses information in the financial statements. The Board of Directors shall be accountable for the financial information in the financial statement disclosed in the annual report. The Audit Committee, consisting of independent directors, is accountable to the quality of the financial statements and adequate systems of internal control and the Internal Control's and the Audit Committee's approval that

appeared in the Audit Committee report on the annual report.

8. Succession Planning

The Board of Director establishes a succession plan for the executive directors and senior executive. The Company arranges operation planning meeting which allows systematic knowledge and experience transferring so that investors can be ensured that the Company's succession plan is continual.

9. New Director Orientation

The Company Secretary prepares 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 plant visit of the Company.

10. Training and education for directors

A new director will be informed about essential principles related to the Board and sub-committees, including significant policy and information of the Company. The Company supports directors and senior executives to attend seminar courses arranged by independent or state regulatory agencies such as director programs from Thai Institute of Director that the Security Exchange Committee assigned directors of listed companies to pass at least one course which are Director Certification Program (DCP), Director Accreditation Program (DAP) and Audit Committee Program (ACP) in order to apply the proficiency to develop the organization.

11. Evaluation of the Board of Directors' performance.

The Board of Directors

For the highest efficiency, the revision and enhancement of the Board of Director performance according to the Company's Corporate Governance, the Company conducts the Board of Director operational result

assessment, the director individual self-assessment result assessment and the sub-committee operational result assessment by the Board. The remuneration Nomination and Corporate Committee proposes the assessment criteria to the Board meeting. All evaluations will be summarized and added to an agenda item on the Board of Directors meeting no. 1 of every year in order to analyze assessment results released and share opinion on each issue.

A score of the Company's director operational result assessment of 2017 is 98.58 out of 100, 4.38% increasing comparing with the previous year. An average score of the director individual self-assessment result of 2017 is 99.80 out of 100, or 2.95% increasing comparing with the previous year. The results of the Board's evaluation will be used to determine the suitability of the Board composition.

Every sub-committee receives their operation assessment by the Board of Director. The sub-committee proposes the assessment result to the Board and suggests solutions in case of the Board advise on any matters.

The Chief Executive Officer

The Chief Executive Officer operational result assessment is a tool for a performance development and Chief Executive Officer's annual compensation consideration. The assessment is divided into 2 sections : the first one evaluates goal achievement and the second one evaluates the Chief Executive Officer's performance. The independent directors are responsible for assessing the Chief Executive Officer individually and calculating each director's assessing result to find the average. Then, the result will be summarized and proposed annually to the Board's meeting in January and announced to Chief Executive Officer by

the chairman.

12. The Nomination of directors, Independent director and top management

The Nomination of Director and Independent Director process

The Remuneration Nomination and Corporate Committee will serve to select qualified person in accordance with the requirements of 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 experiences related and beneficial to the company in the future with good ethics. Then, propose their names to a meeting of the Board of director and / or a shareholder's meeting for consideration. The qualified person must be able to fully dedicate their time to attend the board of director's meeting. The must have the courage to comment at the meeting, have a good background of work and good ethic. Moreover the Company also consider the number of director position in other companies of each nominee since it may affect director's duties when the nominee acts as company director. In the case The Remuneration Nomination and Corporate Committee nominates the existing director, the performance of such director shall be taken into consideration.

The Nomination of Top Management

The Remuneration Nomination and Corporate Committee co-ordinate with the President to consider the criteria of nomination.

13. 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 significant operation policy for the highest benefit to the subsidiaries. In case of the operation results of subsidiaries affect significantly to the Company; the representatives must report to the Board

of Director of Pacific Pipe for approval. Good corporate governance policy and ethic including regulation in connected transaction are established to conduct the operation of company and subsidiaries and provide guidelines the business and development operates in the same direction. Moreover, information and significant document storing including the Company standardized accounting are managed in order to be conveniently audited, collect and report financial statement thoroughly, accurately and punctually.

ANTI – CORRUPTION POLICY

Definition

Corruption is defined as to perform or refrain from any performances in the position and duties or omit any particular act in order to gain interest or take advantages from one's authority, including direct and indirect offering an interest in order to gain an illegal and unethical pay-off for both one and others, in terms of operation and policy.

Anti-Corruption Policy

The directors, management, personnel and employee of the Company are prohibited from any act related to all kinds of corruption. Seeking directly or indirectly for benefit for oneself, family, friends and acquaintances is prohibited, be it as a recipient or a provider, an offer bribe both of money or non-money to a State agency or private agency that the Company contact with and do the business with. All personnel must abide by anti-corruption policy.

Duty and responsibility

1. The Remuneration Nomination and Corporate Committee proposes the anti-corruption Policy to the Board of Director for approval.
2. The Board of Director is responsible for considering and approving the anti-corruption policy of all kinds, both direct and indirect, in order to use it as a guidelines of practices for all personnel of the organization.
3. The Risk Management Committee is responsible for fraud risk assessment and proposing it for the Board of Director's approval. It is used as guidelines for the Internal Audit Division for planning, auditing and monitoring.
4. The Audit Committee has the duties and responsibilities as follows;
 - 4.1 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 least impact of risk to the financial position and operating results of the Company and are appropriate to the Company's business model.

- 4.2 Report on the verify results of the internal control systems and fraud risk assessment to the Board of Directors.
5. The internal audit department has duties and responsibilities as follow;
 - 5.1 Perform to comply with the internal audit plan and report the internal audit control system and risk assessment on corruption occur from the internal control system to the Audit Committee.
 - 5.2 Perform any task assigned, by the Audit Committee, about the corruption issue related to the organization and beyond what stated in the internal audit plan.
6. The management is responsible for communicate to the organization's personnel and related parties to acknowledge the anti-corruption policy.

Regulations

1. The Company's employees are prohibited from trying to illegally and unethically influence over business partner and competitor, such as offering a discriminately assistance and bribery.
2. Operating or involving with illegal business is not permitted.
3. In term of dealing with a business partner, the employees must avoid giving or receiving a stuff involved with 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 applies to both giver and receiver.
4. It is the Company policy to oppose bribing a government officer and others to gain business benefit.

5. Procurement must be conducted through the Company's regulations must be transparency and can be verified.
6. The directors and executives must be aware of the importance of providing knowledge and consulting in order to create a better understanding to subordinates about the anti-corruption. Employees can practice in accordance with the anti-corruption policy and become a role model in terms of honesty, ethics and code of conduct.

To publish the anti-corruption policy

To have all personnel acknowledged the anti-corruption policy, the Company will perform as follow;

1. The Company will post 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 employees and provide details of anti-corruption into the employee's Handbook.

Complaint and Whistle Blowing Policy

Scope of complaint and Whistle Blowing

Should there be suspicion or encounter of a violation of the following issues;

- Violation of the Company's corporate governances;
- Violating the Company's rules and regulations;
- Receiving an unfair treatment in work;
- Fraud action;

or other suspicious actions that could harm the organization are found, the employee shall ask or consult with a trusted supervisor of any level. Should the employee feel uncomfortable to report to their supervisor, the employee can directly report the issue as the detail in a complaint channel.

Complaint channel

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

1. Report comment via a comment box at each plant
2. Contact/ report to the person in charge as followed:
 - 2.1 Internal Audit Manager: Mr. Naritchai Bhurepong sanond
E-mail : naritchai.bhu@pacificpipe.co.th
 - 2.2 Chairman of Remuneration Nomination and Corporate Committee: Mr. Kriengkrai Rakkulchon
E-mail : proact2000@pikanategroup.com
 - 2.3 Secretary of Remuneration Nomination and Corporate Committee director: Miss Nantana Lakkham
E-mail : nantana.lak@pacificpipe.co.th

Thus, the Company allows all stakeholders to report issues when they need to complaint or find clues about the Company's performance that are against the good corporate governance policy and/ or ethics and code of conducts. Additional questions or suggestion can be added to channel complaints as follows:

- Sending e-mail directly to responsible person according to the list in the 2.1 - 2.3.
- Sending a letter to The Remuneration Nomination and Corporate Committee

Pacific Pipe Public Company Limited

Address 1168/68-69 Floor 24th Lumpini Tower

Building, Rama IV Rd., Bangkok 10120

Telephone +662-679-9000

Facsimile +662-2-679-9201-3

E-mail ir.dep@pacificpipe.co.th

Process after receiving a complaint

1. Fact gathering
A complaint receiver will gather a fact and then report to the Secretary of Remuneration Nomination and Corporate Committee.

2. Data Screening

The Secretary of Remuneration Nomination and Corporate Committee will invite a delegate from the management for the investigation within 3 days, the participants in the investigation include:

- 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

The Secretary of Remuneration Nomination and Corporate Committee Director participates as an observer.

3. Operation measurement's specification

Secretary of Remuneration Nomination and Corporate Committee will summarize a report and propose a complaint's operation measurement, and propose to the managing director or chief executive office, depending on each case, for approval. In case of the issue severely affects the Company's image and reputation, financial status, the Company's operating policy or relates to the top executives, the Chairman of Remuneration Nomination and Corporate Committee will report the issue to the Internal Audit Committee and or the Board of Director.

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 top executives and the board of directors. All of the employees must sign the form as confirmation to acknowledge and comply with the Company's corporate governance. 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 corporate governance must be approved by the directors announced immediately according to the law.

Measurement of protecting the violation's reporters and appellants

1. The Company will keep a reporter's, an appellant's and a respondent's information confidential.
2. The Company will disclose sufficient information, considering the damage and safety for a petitioner, source of information or related party.
3. The injured party shall receive proper and fair damage alleviation.

THE 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 Aramvareekul
Chairman of the Audit Committee
 2. Ms. Piyanus Chaikajornwat
Director of the Audit Committee
 3. Mrs. Udomwara Dechsongjarus
Director of the Audit Committee
- And Mr. Naritchai Bhurepongsanond
Secretary of the Audit Committee

In fiscal year 2017, 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 2017, there were 6 meetings, including the four meetings with the Auditors without the Management. The Audit Committee's performances are summarized as follows:

1. Financial statements

Reviewed quarterly financial statements and annual financial statements for 2017 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.

2. Connected Transaction

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.

3. Internal Audit

Approved audit plan and workforces for 2017, 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.

4. 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 the related transactions to the Audit Committee every time and report to the Company's Board of Directors for the shareholding in the Company on quarterly basis. In 2017, there was no transaction significantly involved with conflict of interests.

5. The Audit Committee's Performance

Presented the results of the Audit Committee's performance

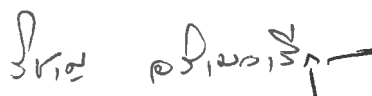
to the Company's Board of Directors in each Board meeting. The Audit Committee made opinions and recommendations that were useful, to the Management for which the Management had considered and improved the operation effectively according to the recommendations. The Management had also considered and evaluation of the Management's performance of year 2017 by The Board of Directors of the company for improvement of the operation.

6. Auditors

Evaluated The independency of the auditors and gave opinion on the auditors' remuneration for presenting to the Board of Directors for approval in the Annual General Meeting of Shareholders 2018 to make appointment of auditors from EY Office Company Limited as to become the Company's auditors for 2018.

From the aforementioned activities throughout 2017, 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 included the improvement of risk management and promotion of internal control for the best effectiveness as well as the handling of internal audit which was conducted independently and its process complied with the international standards of practice through continuation of improvement of the internal audit's operation process.

On behalf of the Audit Committee



Dr. Vicharn Aramvareekul

Chairman of the Audit Committee

23 February 2018

THE REMUNERATION NOMINATION AND CORPORATE COMMITTEE REPORT

The Remuneration Nomination and Corporate Committee consisted of 2 Independent Directors and 1 executive director who have three-year terms from February 5th, 2015 - February 4th, 2018. The Committee members are listed as follows;

1. Mr. Kriengkrai Rakkulchon
Chairman of the Remuneration Nomination and Corporate Committee
 2. Ms. Viriya Ampornnapakul
Director of the Remuneration Nomination and Corporate Committee
 3. Ms. Piyanus Chaikajornwat
Director of the Remuneration Nomination and Corporate Committee
- And Ms. Nantana Lakham
Secretary of the Remuneration Nomination and Corporate Committee

The Remuneration Nomination and Corporate Committee conducted the task assigned by the Board of Directors under the Company's Good Corporate Governance conscientiously. In 2017, the Remuneration Nomination and Corporate Committee arranged 4 meetings to determine significant issues of their responsibility which are summarized as follows;

Nomination

- 1) The committee nominated and proposed the appointment of replacement directors considering their various knowledge fields and proficiency contributing to the Company's operation. The scale of the board of directors' structure and composition were also taken into account in order to advance the good corporate governance and efficient

management, and complied with regulations of The Stock Exchange of Thailand and related organizations.

- 2) The committee reduced the number of the board of directors, from 11 persons to 10 persons. The Remuneration Nomination and Corporation committee considered the 10 qualified directors proficient and capable of their responsibly. The decision complied with the Company's article number 11 dictating the board of directors with 5 members and it was approved by resolution of the 2017 shareholder meeting.

2. Remuneration

- 1) The committee revised the board of directors meeting frequency in a year and revised the directors' meeting compensation in order to review the management's operation appropriately and adequately.
- 2) The committee determined the compensation for the Company's board of directors and each sub-committee considering a comparison of compensation in the business field, the Company's operating result, and level of the board of directors' responsibility.
- 3) The committee determined the compensation and welfare for the chief executive officer by specifying a concrete assessment on the performance result comparing to the target settled and the growth of sales volume and net profit.
- 4) The committee reviewed the pension payment for independent director who has nine-year term and resigns by rotation.

3. Corporate Governance

- 1) The committee reviewed the charter of Remuneration Nomination and Corporation committee to update the information and to comply with the Company's good corporate governance.
- 2) The committee reviewed and revised the 2017 policy and publicized it to the employees:
 - 2.1 Corporate governance and ethics and code of business conduct
 - 2.2 Director's guideline
 - 2.3 Revision of anti-corruption policy
- 3) The committee reported the evaluation result of 2017 corporate governance report of Thai Listed Company, which was "Very Good", from Thai Institute of Directors (IOD).
- 4) The committee arranged and publicized the corporate social responsibility activities concretely.
- 5) The committee reported the Company's corporate social responsibility operation to communicate to all stakeholders.
- 6) The committee reviewed the appropriateness of the director performance evaluation forms: the board of directors assessment, individual director assessment, remuneration nomination and corporation committee assessment, and chief executive officer assessment.

- 7) The committee reported the board of directors' performance evaluation result to all directors for acknowledgement and encouraging discussions and expressing of opinion on the 2016 directors' performance result. The performance evaluation result of the Remuneration Nomination and Corporation committee assessed by the board of directors was also reported.

The Remuneration Nomination and Corporation committee conducted with cautiousness, reasonability and independence under no control of the management. In 2017, the directors were compensated according to the 2017 board of director compensation report. It was determined by taking into consideration a comparison of director compensation surveys from Thai Institute of Directors (IOD), the Stock Exchange of Thailand and the overview of all listed companies in the same industry with comparable sales volume and net profit. The committee thus considered the compensation appropriate for the Company and the directors and their responsibility. The board of directors agreed and proposed the compensation for the consideration of the shareholders meeting, according to the corporate governance, considering the benefit of the minor shareholders.



Mr. Kriengkrai Rukkunchon
Chairman of Remuneration Nomination and Corporate
Committee
18 January 2018

THE RISK MANAGEMENT COMMITTEE REPORT

The Board of Directors of Pacific Pipe Public Company Limited appoints 3 Risk Management Directors with three-year terms. The Chairman of Risk Management Committee is an Independent Director. All Directors are competent and qualified in accordance with the Risk Management Committee Charter. The members of the Committee are listed as follows;

1. Dr. Chaiyong Satjipanon
Chairman of the Risk Management Committee
 2. Miss Viriya Ampornnapakul
Director of the Risk Management Committee
 3. Miss Thitima Vatanasakdakul
Director of the Risk Management Committee
- And Miss Napaporn Pornanuwong
Secretary of the Risk Management Committee

Authorized by the Board of Directors, the Risk Management Committee is responsible for providing opinions, advice and support to Management in order to improve the efficiency of the risk management system throughout the Company, including encouraging engagement at all levels in the organization. In 2017, there were 4 Risk Management Committee meetings. The risk management activities can be summarized as follows;

1. Review the Risk Management Committee Charter and Risk Management Policy

Reviewed the risk management committee charter and risk management policy. Updated the information provided to be current and consist with the good risk management principles.

2. Corporate Risk Assessment

Assessed corporate risk by evaluating both external and internal factors which could affect Company's performances.

3. Organization Risk Determination

Arranged Risk Management Committee meetings to assess and determine organization risks that impacts the strategy, operation and other aspects from all risk factors, determined by the risk owner, based on the effectiveness of the current internal control. Prioritized the overall residual risk and reviewed the organization risk and the business direction, strategy, mission and changing circumstances.

4. Risk Response Determination

Reviewed the appropriateness and worthiness of action plans conducted, advised and supported by department's Management to ensure that the risk will be managed and controlled within the organization's risk appetite.

5. Risk Management Activity Result Follow Up

Monitored the progress, efficiency and effectiveness of the risk management at each level. Followed up with the overall risk impact and tendency changed after conducting the risk management plan, and determined in-time prevention or resolution and regularly report to the Board of Directors.

6. Risk Awareness

Being aware of risks, the Company also provided training, knowledge and understanding to all levels of the employees, and encouraged them to acknowledge the importance of risk management.

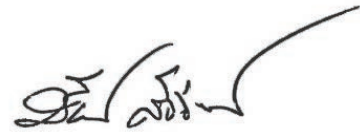
7. Business Continuous Planning (BCP)

Being aware of the importance of business management during a crisis, the Company developed ongoing business strategies which were fully implemented.

Due to these steps, it is believed that the systematic risk management along with follow-up reviews will enable the Company to achieve its business operating objectives, sustainably create and deliver value added to the Shareholders and stakeholders.

8. Risk management committee reporting

Reporting on the performance of the risk management committee to the Board of Directors, the risk management committee also improved the performance based on the results of the assessment by Board of Directors.



Dr. Chaiyong Satjipanon

Chairman of the Risk Management Committee

18 January 2018

REPORT ON THE RESPONSIBILITY OF THE BOARD OF DIRECTOR FOR THE FINANCIAL REPORT OF 2017

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 is 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. Provide reasonable discretion carefully in the budget accounts including ensure that important information is sufficiently disclosed and audited with unqualified opinion by an independent certified public accountant.

The Board of Director provides an appropriate and efficient internal control system to ensure that the financial information is accurate, complete and adequate for maintaining the assets, along with preventing corruption or a significant malfunction. In this regard, the Board of

Director has appointed an Audit Committee to review an appropriateness and effectiveness of 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. To conduct the audit, The Board of Directors provides information and documents requested, allowing the auditor to audit and express opinion in accordance with generally accepted auditing standards. 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, 2017 with reliability, using generally accepted accounting principles and operating correctly according to the relevant law and regulations.



(Mr. Somchai Lekapojpanich)

Chairman

22 February 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

1. Overall Results of Operations

Steel Price in year 2017 is less fluctuated than year 2016 which was highly fluctuated. China, the world's largest steel manufacturer, shuts down small polluting plants and obsolete technology. Also, domestic factor regarding the government's anti-dumping measurement on steel imports from China and Korea. This make average steel price in this Year higher than year 2016. Therefore, the Company's revenue grows 14.90% with total revenue of Baht 8,215.72 million. However, net profit at Baht 292.42 million decrease from last year 46.48% because last year the Company's benefit from steel price rise from lowest price in year 2015.

2. Results of Operations for the year 2017

For fiscal year ended December 31, 2017, the Company reported the sales and service income of Baht 8,034.30 million, which increased from 2016 of Baht 7,920.82 million or 1.41%. The Company had net profit of Baht 292.42 million or 3.64% of Sales and service income. Earnings profit per share (EPS) was Baht 0.44

Gross Profit Margin of the Company for fiscal year ended December 31, 2017 is 10.35% which decreased from 2016 of 15.79%. This is due to the increase of global steel price. The net profit on total revenues for year 2017 decreased 3.65% comparing to net profit at 7.64% in 2016.

Revenues

For fiscal year ended December 31, 2017, the Company reported the sales and service income Baht 8,034.30 million which was 97.79% of total revenue increasing 14.87% from year 2016. This sales revenue could be categorized into domestic and export sales of Baht 7,747.33 million and Baht 173.49 million or accounting for 97.81% and 2.19% respectively. The total revenue of the Company increased from Baht 7,150.37 million in 2016 to Baht 8,215.72 million in 2017 or increased 14.90%.

Revenue breakdown by customer group show in table below, Contractor amount of Baht 1,152.34 million was high growth rate customer group in year 2017, growing from year 2016 Baht 473.32 or approximately 69.71%.

Revenue from Sale	2015		2016		2017	
	Million	(%)	Million	(%)	Million	(%)
1. Trader	5,133.76	79.29	5,547.30	79.32	6,299.58	78.41
2. Contractor	637.96	9.85	679.02	9.71	1,152.34	14.34
3. Industrial	529.79	8.18	515.57	7.37	465.23	5.79
4. Other	108.33	1.67	157.62	2.25	3.67	0.05
Total Sales and service income	6,409.84	98.99	6,899.51	98.65	7,920.82	98.65
Service Income	65.16	1.01	94.45	1.35	113.48	1.41
Total Revenue from Sale and Service	6,475.00	100.00	6,993.96	100.00	8,034.30	100.00

Cost of sales and service

In 2017, the Company reported cost of sales and service of Baht 7,365.10 million or 91.67 % of sales and service income compare to year 2016 of Baht 6,021.30 million or 86.09% of sales and service income. The cost of sales and service portion to sales and service income increased from year 2016 because the steel cost was higher than the same period last year.

Selling and administrative expenses

In 2017, the Company reported Selling and administrative expenses of Baht 446.12 million, which increased from 2016 of Baht 2.41 million or increased 0.54% due to the rise in sale quantity and expense in operation.

Return on Equity

In 2017, the Company had net profit of Baht 292.42 million. The return on equity was 11.33% which decreased from return on equity 21.37% in 2016 due to net profit that dramatically decreased aforementioned in Results of Operations.

Financial Position

Assets

Total assets

At the end of year 2017, the Company had total assets of Baht 4,844.55 million, which increased from 2016 of Baht 1,136.68 million or increased 30.66% due to the increasing in inventory, account receivable and fixed assets.

Account receivable

Account receivable in 2017 was Baht 918.56 million, which increased from 2016 of Baht 312.62 million or increased 51.59%. Account receivable aging show as table below.

(Unit : Million Baht)

Aged on the basis of due dates	2015	2016	2017
Not yet due	423.10	469.58	682.15
Past due			
Up to 3 months	103.28	127.60	225.39
3 - 6 months	7.84	7.56	9.37
6 - 12 months	21.39	1.13	2.04
Over 12 months	27.75	16.40	7.80
Total	583.36	622.27	926.75
Less: Allowance for doubtful debts	(27.25)	(16.33)	(8.19)
Total trade receivables - net	556.11	605.94	918.56

Inventory

The Company had an inventory of Baht 1,456.41 million, which increased from year 2016 of Baht 307.37 million or 26.75%. While the stock quantity on hand still the same level as last year, steel price is higher than last year. Therefore average Day Sale of the Company in this year is 65 days longer than last year which was 61 days which still in line with Company's Policy.

Property, plant and equipment

The Company had property, plant and equipment of Baht 1,925.62 million, which increased from year 2016 of Baht 550.17 million from change in accounting policy on the measurement of land, from cost method to revaluation method amount 481 million and investment in machinery to increase capacity.

Liquidity

The Company's current ratio 2017 and 2016 were 1.37 and 2.09 respectively, while its cash cycle ratio in 2017 and 2016 were 23 and 37 days respectively. In terms of debt service capability, the Company's interest coverage ratio at the end of 2017 and 2016 were 9.88 and 20.46 respectively.

During the year 2017, the company had Cash Flow used in operating activities used in Baht -159.92 million due to the decreasing in net profit, and also the inventory and receivable. Details in cash flow statements are described in the table.

(Unit : Million Baht)

Cash Flow	2015	2016	2017
From Operating activities (used in)	902.12	325.16	(159.93)
From Investing activities (used in)	(83.49)	(97.45)	(189.23)
From Financing activities (used in)	(709.43)	(222.71)	378.34
Net increase in cash (decreased)	109.20	5.00	29.18

Source of Funds**Liabilities**

The Company's total liability was Baht 2,263.33 million or Baht 1,112.45 million increased from year 2016 because in year 2017, the Company's short-term loan from financial institutions was Baht 1,896.39 million or Baht 1,029.92 million increased from year 2016 due to the increasing in working capital require from account receivable and inventory.

Shareholders' Equity

The shareholders' equity of the Company was Baht 2,581.22 million in 2017, which increased Baht 24.23 million or 0.95% from 2016.

Capital Structure

The debt to equity ratio at 31 December, 2017 and 2016 were 0.88 and 0.45 respectively due to increasing debt as 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 13 years in 2017.

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" (page 18)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Pacific Pipe Public Company Limited

Opinion

I have audited the accompanying consolidated financial statements of Pacific Pipe Public Company Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2017, and the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and have also audited the separate financial statements of Pacific Pipe Public Company Limited for the same period.

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 2017, their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Basis for Opinion

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

Emphasis of Matter

I draw attention to Note 4 of the financial statements, which describes change in accounting policy on the measurement of land, from cost method to revaluation method. My opinion is not modified in respect of this matter.

Key Audit Matters

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

I have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report, including in relation to these matters. Accordingly, my audit included the performance of procedures designed to respond to my assessment of the risks of material misstatement of the financial statements. The results of my audit procedures, including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying financial statements as a whole.

Key audit matters and how audit procedures respond for each matter are described below.

Revenue recognition from sales transactions

Revenue from sales transactions is one of the significant account of the Group since sales direct affect to the profit and loss for the year. In addition, the Group has numerous customers in various businesses and categories. I have therefore focused on auditing the revenue from sales recognition and in particular on the timing of revenue recognition.

I assessed and tested the internal controls of the Group with respect to the revenue cycle by making enquiry of responsible executives, gaining an understanding of the controls and selecting representative samples to test the operation of the designed key controls. On a sampling basis, I examined supporting documents for sales transactions occurring during the year and sales transactions occurred near to the end of the accounting period. I also reviewed credit notes that the Group issued after period end and performed analytical procedures on sales account.

Provision for diminution in value of inventory

Estimating the net realisable value of inventory, as disclosed in Note 10 to the financial statements, is an area requiring management judgement. In addition, major products of the Group are rolled steel, steel pipes and metal sheet which cost of raw material are fluctuated depends on market prices. There is therefore a risk with respect to the amount of provision set aside for diminution in the value of inventory.

I assessed the method and gained an understanding of the basis applied in determining the provision for diminution in value of inventory, reviewing the consistency of the application of that basis, performing a comparison of gross profit rate by inventory type and comparing proceeds from sales transactions occurring after the period end and trends in steel prices after the date of the financial statements with the cost of inventory.

Other Information

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

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with Thai Standards on Auditing, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on

the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

From the matters communicated with those charged with governance, I determine those matters that were of most

significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because

the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

I am responsible for the audit resulting in this independent auditor's report.



Watoo Kayankannavee

Certified Public Accountant (Thailand) No. 5423

EY Office Limited

Bangkok: 22 February 2018

Pacific Pipe Public Company Limited and its subsidiaries

Statement of financial position

As at 31 December 2017

(Unit : Baht)

		Consolidated financial statements		Separate financial statements	
	Note	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Assets					
Current assets					
Cash and cash equivalents	8	475,114,537	445,931,683	277,418,728	294,716,470
Trade and other receivables	9	918,555,805	605,936,650	752,134,603	520,612,968
Inventories	10	1,456,413,550	1,149,040,673	1,404,169,864	1,120,294,926
Advance for raw material		13,331,544	92,742,860	620,744	92,742,860
Other current financial assets		9,694,077	655,627	9,616,973	318,009
Other current assets		18,381,679	9,820,638	17,148,859	8,405,468
Total current assets		2,891,491,192	2,304,128,131	2,461,109,771	2,037,090,701
Non-current assets					
Investments in subsidiaries	11	-	-	110,996,100	11,996,100
Property, plant and equipment	12	1,925,620,282	1,375,447,231	1,870,378,697	1,312,669,756
Intangible assets	13	24,679,323	25,268,672	24,658,448	25,238,250
Deferred tax assets	19	1,905,525	2,521,543	-	-
Other non-current assets		848,650	499,700	370,573	373,773
Total non-current assets		1,953,053,780	1,403,737,146	2,006,403,818	1,350,277,879
Total assets		4,844,544,972	3,707,865,277	4,467,513,589	3,387,368,580

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

Pacific Pipe Public Company Limited and its subsidiaries

Statement of financial position (continued)

As at 31 December 2017

(Unit : Baht)

		Consolidated financial statements		Separate financial statements	
	Note	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Liabilities and					
shareholders' equity					
Current liabilities					
Short-term loans from financial					
institutions	14	1,896,390,304	866,474,127	1,841,259,449	866,474,127
Trade and other payables	15	145,836,591	179,594,885	114,370,898	172,987,498
Income tax payable		46,667,310	31,446,127	37,041,072	24,995,076
Other current liabilities		19,634,952	22,372,372	10,766,288	19,596,193
Total current liabilities		<u>2,108,529,157</u>	<u>1,099,887,511</u>	<u>2,003,437,707</u>	<u>1,084,052,894</u>
Non-current liabilities					
Deferred tax liabilities	19	119,554,872	21,008,569	119,554,872	21,008,569
Provision for long-term					
employee benefits	16	33,168,569	29,986,699	26,052,905	23,478,530
Deferred rental		2,075,550	-	2,075,550	-
Total non-current liabilities		<u>154,798,991</u>	<u>50,995,268</u>	<u>147,683,327</u>	<u>44,487,099</u>
Total liabilities		<u>2,263,328,148</u>	<u>1,150,882,779</u>	<u>2,151,121,034</u>	<u>1,128,539,993</u>
Shareholders' equity					
Share capital					
Registered					
660,000,000 ordinary					
shares of Baht 1 each		<u>660,000,000</u>	<u>660,000,000</u>	<u>660,000,000</u>	<u>660,000,000</u>
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	17	67,000,000	67,000,000	67,000,000	67,000,000
Unappropriated		953,079,024	1,314,126,587	688,254,755	1,015,972,676
Other components of					
shareholders' equity		<u>385,281,889</u>	<u>-</u>	<u>385,281,889</u>	<u>-</u>
Total shareholders' equity		<u>2,581,216,824</u>	<u>2,556,982,498</u>	<u>2,316,392,555</u>	<u>2,258,828,587</u>
Total liabilities and					
shareholders' equity		<u>4,844,544,972</u>	<u>3,707,865,277</u>	<u>4,467,513,589</u>	<u>3,387,368,580</u>

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

Pacific Pipe Public Company Limited and its subsidiaries
Statement of comprehensive income
For the year ended 31 December 2017

(Unit : Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2017	2016	2017	2016
Profit or loss:					
Revenues					
Sales and service income	7	8,034,296,934	6,993,961,064	7,695,491,668	6,933,157,564
Exchange gains		7,720,415	-	7,708,772	-
Dividend income	11	-	-	116,415,356	34,084,370
Other income		173,698,061	156,408,670	167,640,409	154,592,905
Total revenues		8,215,715,410	7,150,369,734	7,987,256,205	7,121,834,839
Expenses					
Cost of sales and services		7,365,094,654	6,021,304,759	7,108,384,881	6,030,392,852
Selling expenses		157,045,682	147,176,891	202,987,435	189,300,944
Administrative expenses		289,074,254	296,530,429	259,510,233	269,470,351
Exchange losses		-	2,283,221	-	2,272,559
Total expenses		7,811,214,590	6,467,295,300	7,570,882,549	6,491,436,706
Profit before finance cost and income tax expenses		404,500,820	683,074,434	416,373,656	630,398,133
Finance cost		(40,936,159)	(33,388,519)	(39,675,763)	(32,685,586)
Profit before income tax expenses		363,564,661	649,685,915	376,697,893	597,712,547
Income tax expenses	19	(71,147,580)	(103,307,811)	(51,015,814)	(84,931,608)
Profit for the year		292,417,081	546,378,104	325,682,079	512,780,939
Other comprehensive income:					
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>					
Surplus on revaluation of assets	20	481,602,361	-	481,602,361	-
Less: Income tax effect	19	(96,320,472)	-	(96,320,472)	-
Other comprehensive income for the year		385,281,889	-	385,281,889	-
Total comprehensive income for the year		677,698,970	546,378,104	710,963,968	512,780,939
Basic earnings per share					
Profit for the year	21	0.44	0.83	0.49	0.78

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

Pacific Pipe Public Company Limited and its subsidiaries
Statement of changes in shareholders' equity

For the year ended 31 December 2017

(Unit : Baht)

	Consolidated financial statements						
	Issued and fully paid-up share capital	Share premium on ordinary shares	Surplus on treasury shares	Retained earnings		Other components of equity	Total shareholders' equity
				Appropriated - statutory reserve	Unappropriated	Other comprehensive income	
Balance as at 1 January 2016	660,000,000	514,845,000	1,010,911	67,000,000	767,748,483	-	2,010,604,394
Total comprehensive income for the year	-	-	-	-	546,378,104	-	546,378,104
Balance as at 31 December 2016	660,000,000	514,845,000	1,010,911	67,000,000	1,314,126,587	-	2,556,982,498
Balance as at 1 January 2017	660,000,000	514,845,000	1,010,911	67,000,000	1,314,126,587	-	2,556,982,498
Profit for the year	-	-	-	-	292,417,081	-	292,417,081
Other comprehensive income for the year	-	-	-	-	-	385,281,889	385,281,889
Total comprehensive income for the year	-	-	-	-	292,417,081	385,281,889	677,698,970
Dividend paid (Note 24)	-	-	-	-	(653,464,644)	-	(653,464,644)
Balance as at 31 December 2017	660,000,000	514,845,000	1,010,911	67,000,000	953,079,024	385,281,889	2,581,216,824

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

For the year ended 31 December 2017

(Unit : Baht)

	Separate financial statements					
	Issued and fully paid-up share capital	Share premium on ordinary shares	Surplus on treasury shares	Retained earnings		Other components of equity
				Appropriated - statutory reserve	Unappropriated	
Balance as at 1 January 2016	660,000,000	514,845,000	1,010,911	67,000,000	503,191,737	-
Total comprehensive income for the year	-	-	-	-	512,780,939	-
Balance as at 31 December 2016	660,000,000	514,845,000	1,010,911	67,000,000	1,015,972,676	2,258,828,587
Balance as at 1 January 2017	660,000,000	514,845,000	1,010,911	67,000,000	1,015,972,676	2,258,828,587
Profit for the year	-	-	-	-	325,682,079	325,682,079
Other comprehensive income for the year	-	-	-	-	-	385,281,889
Total comprehensive income for the year	-	-	-	-	325,682,079	710,963,968
Dividend paid (Note 24)	-	-	-	-	(653,400,000)	(653,400,000)
Balance as at 31 December 2017	660,000,000	514,845,000	1,010,911	67,000,000	688,254,755	2,316,392,555

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

Pacific Pipe Public Company Limited and its subsidiaries

Cash flow statement

For the year ended 31 December 2017

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Cash flows from operating activities				
Profit before tax	363,564,661	649,685,915	376,697,893	597,712,547
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	122,919,303	128,092,369	113,003,656	118,872,785
Bad debts	8,433,793	12,973,531	4,811,110	1,563,937
Reversal of allowance for doubtful accounts	(8,138,568)	(10,908,466)	(4,450,982)	(229,352)
Reduction of inventory cost to net realisable value (reversal)	4,353,649	(21,535,226)	4,353,649	(21,535,226)
Reversal of allowance for impairment of advance for raw material	(7,133,220)	(9,086,109)	(7,133,220)	(9,086,109)
Loss on write-off/disposals of equipment	179,469	20,578,298	179,461	20,595,276
Loss on write-off of intangible asset	-	546,000	-	546,000
Provision for long-term employee benefits	3,181,870	2,956,620	2,574,375	2,391,609
Deferred rental	2,075,550	-	2,075,550	-
Unrealised loss (gain) on exchange	(1,793,559)	1,875,548	(1,789,505)	1,875,548
Dividend income	-	-	(116,415,356)	(34,084,370)
Interest income	(1,847,010)	(1,898,329)	(1,326,160)	(1,352,070)
Interest expenses	38,119,587	30,693,659	37,597,591	30,693,659
Profit from operating activities before changes in operating assets and liabilities	523,915,525	803,973,810	410,178,062	707,964,234
Operating assets (increase) decrease				
Trade and other receivables	(312,984,889)	(51,847,592)	(231,956,327)	(19,820,410)
Inventories	(311,726,526)	(280,394,323)	(288,228,587)	(262,316,295)
Advance for raw material	86,544,536	(83,603,905)	99,255,336	(83,603,905)
Other current assets	(17,947,184)	7,517,835	(18,037,898)	7,750,037
Operating liabilities increase (decrease)				
Trade and other payables	(35,807,829)	28,628,316	(60,666,135)	19,354,275
Other current liabilities	(2,737,419)	(1,622,202)	(8,829,905)	(1,059,866)
Other non-current liabilities	-	(2,655,615)	-	(2,655,615)
Cash flows from (used in) operating activities	(70,743,786)	419,996,324	(98,285,454)	365,612,455
Cash paid for interest expenses	(36,096,152)	(30,765,995)	(35,574,156)	(30,765,995)
Cash paid for income tax	(53,084,549)	(64,069,201)	(36,743,987)	(48,127,142)
Net cash flows from (used in) operating activities	(159,924,487)	325,161,128	(170,603,597)	286,719,318

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

Pacific Pipe Public Company Limited and its subsidiaries

Cash flow statement (continued)

For the year ended 31 December 2017

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Cash flows from investing activities				
Acquisition of property, plant and equipment	(186,511,041)	(99,345,711)	(184,140,822)	(69,603,941)
Acquisition of intangible assets	(4,569,073)	(95,000)	(4,569,073)	(95,000)
Increase in investment in a subsidiary	-	-	(99,000,000)	-
Dividend income	-	-	116,415,356	34,084,370
Interest income	1,845,753	1,898,329	1,324,903	1,352,071
Proceeds from sales of equipment	-	95,014	-	78,014
Net cash flows used in investing activities	<u>(189,234,361)</u>	<u>(97,447,368)</u>	<u>(169,969,636)</u>	<u>(34,184,486)</u>
Cash flows from financing activities				
Increase in short-term loans from financial institutions	1,031,806,346	284,288,463	976,675,491	284,288,463
Repayment of long-term loan from related party	-	(100,000,000)	-	(100,000,000)
Repayment of long-term loan from financial institution	-	(407,000,000)	-	(407,000,000)
Dividend paid	<u>(653,464,644)</u>	<u>-</u>	<u>(653,400,000)</u>	<u>-</u>
Net cash flows from (used in) financing activities	<u>378,341,702</u>	<u>(222,711,537)</u>	<u>323,275,491</u>	<u>(222,711,537)</u>
Net increase (decrease) in cash and cash equivalents	29,182,854	5,002,223	(17,297,742)	29,823,295
Cash and cash equivalents at beginning of year	<u>445,931,683</u>	<u>440,929,460</u>	<u>294,716,470</u>	<u>264,893,175</u>
Cash and cash equivalents at end of year	<u>475,114,537</u>	<u>445,931,683</u>	<u>277,418,728</u>	<u>294,716,470</u>

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

Pacific Pipe Public Company Limited and its subsidiaries

Notes to consolidated financial statements

For the year ended 31 December 2017

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 11 October 2016, 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	
			2017 Percent	2016 Percent
Tamose Trading Company Limited	Distribution of steel products	Thailand	99.99	99.94
Meesup Transport Company Limited	Transportation	Thailand	99.97	99.97

b) The Company is deemed to have control over an investee or subsidiaries 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.

c) 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.

d) The financial statements of the subsidiaries are prepared using the same significant accounting policies as the Company.

e) Material balances and transactions between the Company and its subsidiary companies have been eliminated from the consolidated financial statements.

2.3 The separate financial statements present investments in subsidiaries under the cost method.

3. New financial reporting standards

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

During the year, the Company and its subsidiaries have adopted the revised financial reporting standards and interpretations (revised 2016) and new accounting treatment guidance which are effective for fiscal years beginning on or after 1 January 2017. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards. However, one standard involves changes to key principles, which are summarised below.

TAS 27 (revised 2016) Separate Financial Statements

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

This standard does not have any impact on the Company and its subsidiaries' financial statements because the management has decided to continue accounting for such investments under the cost method in the separate financial statements.

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

During the current year, the Federation of Accounting Professions issued a number of revised financial reporting standards and interpretations (revised 2017) which are effective for fiscal years beginning on or after 1 January 2018. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes and clarifications directed towards disclosures in the notes to financial statements.

The management of the Company and its subsidiaries believe that the revised financial reporting standards will not have any significant impact on the financial statements when they are initially applied.

4. Change in accounting policy relating to the valuation of land from cost method to revaluation method

During the year, the Company reviewed and changed its accounting policy for recording the value of land from the cost method to the revaluation method, under which value is the fair value of the asset at the valuation date.

In making the changes in accounting policy, the Company adopted TAS 8. This is considered to be a revaluation of assets in accordance with TAS 16 Property, Plant and Equipment, which does not require the change to be applied retroactively. Therefore, the Company has applied the change prospectively.

The amounts of adjustments affecting the statements of financial position as at 31 December 2017 and the statements of comprehensive income for the year then ended are as follows.

(Unit : Thousand Baht)

	31 December 2017
	Consolidated financial statements / Separate financial statements
The statements of financial position:	
Increase in property, plant and equipment - net	481,602
Increase in deferred tax liabilities	96,320
Increase in other components of equity	385,282

(Unit : Thousand Baht)

	For the year ended 31 December 2017
	Consolidated financial statements / Separate financial statements
The statements of comprehensive income:	
Other comprehensive income	
Increase in surplus on revaluation of assets	481,602
Increase in income tax relating to components of other comprehensive income	96,320

5. Significant accounting policies

5.1 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.

5.2 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.

5.3 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.

5.4 Inventories

Finished goods and conversion raw materials are valued at lower of cost (under the weighted average method) and net realisable value. The cost of inventories is measured using the standard cost method, which approximates actual cost and includes all production costs 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.

5.5 Investments

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

5.6 Property, plant and equipment/Depreciation

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

Land are initially recorded at cost on the acquisition date, and subsequently revalued by an independent professional appraiser to their fair values. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from fair value at the end of reporting period.

Differences arising from the revaluation are dealt with in the financial statements as follows:

- When an asset's carrying amount is increased as a result of the revaluation, the increase is credited directly to other comprehensive income and the cumulative increase is recognised in equity under the heading of "Surplus on revaluation of assets". However, the revaluation increase is recognised as income to the extent that it reverses the revaluation decrease in respect of the same asset previously recognised as an expense.
- When an asset's carrying amount is decreased as a result of the revaluation, the decrease is recognised in profit or loss. However, the revaluation decrease is charged to other comprehensive income to the extent that it does not exceed the amount already held in "Surplus on revaluation of assets" in respect of the same asset.

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

Land improvement	5 - 20 years
Buildings and building improvement	3 - 20 years
Machinery and factory equipment	2 - 31 years
Office equipment	3 - 10 years
Motor vehicles	3 - 25 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.

5.7 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.

5.8 Intangible assets

Intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses (if any).

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	3 - 10 years

5.9 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 or enterprises 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.

5.10 Long-term leases

Leases of property, office and motor vehicles which do not transfer substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight line basis over lease term.

5.11 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.

5.12 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.

5.13 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, 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 defined benefit plans are recognised immediately in other comprehensive income.

5.14 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.

5.15 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.

5.16 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between buyer and seller (market participants) at the measurement date. The Company and its subsidiaries apply a quoted market price in an active market to measure their assets and liabilities that are required to be measured at fair value by relevant financial reporting standards. Except in case of no active market of an identical asset or liability or when a quoted market price is not available, the Company and its subsidiaries measure fair value using valuation technique that are appropriate in the circumstances and maximises the use of relevant observable inputs related to assets and liabilities that are required to be measured at fair value.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy into three levels based on categorise of input to be used in fair value measurement as follows:

Level 1 - Use of quoted market prices in an active market for such assets or liabilities

Level 2 - Use of other observable inputs for such assets or liabilities, whether directly or indirectly

Level 3 - Use of unobservable inputs such as estimates of future cash flows

At the end of each reporting period, the Company and its subsidiaries determine whether transfers have occurred between levels within the fair value hierarchy for assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis.

6. 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.

Reduction of inventory cost to net realisable value

In determining a reduction of inventory cost to net realisable value, the management makes judgement and estimates the net realisable value of inventory based on the amount of the inventories are expected to realise. These estimates take into consideration fluctuations of selling price or cost directly relating to events occurring after the end of the reporting period.

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.

The Company measures land at revalued amounts. Such amounts are determined by the independent valuer using the market approach. The valuation involves certain assumptions and estimates as described in Note 12 to the financial statements.

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.

7. Related party transactions

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				
	Consolidated		Separate		Transfer Pricing Policy
	financial statements		financial statements		
	2017	2016	2017	2016	
<u>Transactions with subsidiary companies</u>					
(eliminated from the consolidated financial statements)					
Sales of goods	-	-	3,622	3,285	Reference to market price
Rental income	-	-	1	1	Contract price
Service income	-	-	1	1	Contract price
Commission paid	-	-	69	68	Contract price
Transportation expenses	-	-	112	98	Reference to market price
Dividend income	-	-	116	34	As declared
<u>Transactions with related parties</u>					
Interest expenses	-	4	-	4	MLR - 2.4 percent per annum
Office rental and service expenses	4	4	-	-	Contract price
Land rental	5	5	5	5	Contract price

The balances of the accounts as at 31 December 2017 and 2016 between the Company and those related parties are as follows:

(Unit : Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
<u>Trade receivables - related party</u>				
(Note 9)				
Tamose Trading Company Limited	-	-	289,335	172,474
<u>Total trade receivables - related party</u>	<u>-</u>	<u>-</u>	<u>289,335</u>	<u>172,474</u>
<u>Other receivables - related parties</u>				
(Note 9)				
Tamose Trading Company Limited	-	-	4,506	2,079
Meesup Transport Company Limited	-	-	-	32
<u>Total other receivables - related parties</u>	<u>-</u>	<u>-</u>	<u>4,506</u>	<u>2,111</u>
<u>Other payables - related parties</u>				
(Note 15)				
Tamose Trading Company Limited	-	-	9,317	7,694
Meesup Transport Company Limited	-	-	3,595	3,982
<u>Total other payables - related parties</u>	<u>-</u>	<u>-</u>	<u>12,912</u>	<u>11,676</u>

Directors and management's benefits

During the years ended 31 December 2017 and 2016, the Company had employee benefit expenses payable to its directors and management as below.

(Unit : Thousand Baht)

	Consolidated financial statements / Separate financial statements	
	2017	2016
Short-term employee benefits	42,866	63,523
Post-employment benefits	1,037	987
Total	<u>43,903</u>	<u>64,510</u>

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.

8. Cash and cash equivalents

(Unit : Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Cash	337	268	165	165
Bank deposits	474,778	445,664	277,254	294,551
Total	475,115	445,932	277,419	294,716

As at 31 December 2017, bank deposits in saving accounts carried interests at the rate of 0.375 percent per annum (2016: 0.5 percent per annum).

9. Trade and other receivables

(Unit : Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
<u>Trade receivables - related party</u>				
Aged on the basis of due dates				
Not yet due	-	-	212,039	172,474
Past due				
Up to 3 months	-	-	77,296	-
Total trade receivables - related party (Note 7)	-	-	289,335	172,474
<u>Trade receivables - unrelated parties</u>				
Aged on the basis of due dates				
Not yet due	682,145	469,580	333,596	265,377
Past due				
Up to 3 months	225,399	127,603	117,952	76,691
3 - 6 months	9,368	7,557	5,038	3,174
6 - 12 months	2,040	1,130	1,939	119
Over 12 months	7,803	16,404	5,556	10,905
Total	926,755	622,274	464,081	356,266
Less: Allowance for doubtful debts	(8,199)	(16,337)	(5,787)	(10,238)
Total trade receivables - unrelated parties, net	918,556	605,937	458,294	346,028
Total trade receivables - net	918,556	605,937	747,629	518,502
<u>Other receivables</u>				
Other receivables - related parties (Note 7)	-	-	4,506	2,111
Total other receivables	-	-	4,506	2,111
Total trade and other receivables - net	918,556	605,937	752,135	520,613

10. Inventories

(Unit : Thousand Baht)

	Consolidated financial statements					
	Cost		Reduce cost to net realisable value		Inventories - net	
	2017	2016	2017	2016	2017	2016
Finished goods	821,507	692,531	(6,730)	(4,521)	814,777	688,010
Conversion raw materials	114,415	96,579	-	-	114,415	96,579
Raw materials	505,054	341,410	(2,453)	(308)	502,601	341,102
Factory supplies and others	24,621	23,350	-	-	24,621	23,350
Total	<u>1,465,597</u>	<u>1,153,870</u>	<u>(9,183)</u>	<u>(4,829)</u>	<u>1,456,414</u>	<u>1,149,041</u>

(Unit : Thousand Baht)

	Separate financial statements					
	Cost		Reduce cost to net realisable value		Inventories - net	
	2017	2016	2017	2016	2017	2016
Finished goods	769,263	663,785	(6,730)	(4,521)	762,533	659,264
Conversion raw materials	114,415	96,579	-	-	114,415	96,579
Raw materials	505,054	341,410	(2,453)	(308)	502,601	341,102
Factory supplies and others	24,621	23,350	-	-	24,621	23,350
Total	<u>1,413,353</u>	<u>1,125,124</u>	<u>(9,183)</u>	<u>(4,829)</u>	<u>1,404,170</u>	<u>1,120,295</u>

During the current year, the Company reduced cost of inventories by Baht 4.4 million, to reflect the net realisable value. This was include in cost of sales (2016: The Company reversed the write-down of cost of inventories by Baht 21.5 million, and reduced the amount of inventories recognised as expenses during the year).

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	
	2017	2016	2017	2016	2017	2016	2017	2016
Tamose Trading Company Limited	100,000	1,000	99.99	99.94	99,999	999	98,940	17,989
Meesup Transport Company Limited	9,200	9,200	99.97	99.97	10,997	10,997	17,475	16,095
Total					<u>110,996</u>	<u>11,996</u>	<u>116,415</u>	<u>34,084</u>

12. Property, plant and equipment

(Unit : Thousand Baht)

[illegible]

(Unit : Thousand Baht)

[illegible]

As at 31 December 2017, 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 500 million (2016: Baht 464 million) (the Company only; 2017: Baht 460 million, 2016: Baht 424 million).

The Company arranged for an independent professional appraiser to appraise the value of land in 2017, using the market comparison approach. Land were measured at fair value using level 3 input.

Key assumptions used in the valuation are summarised below:

	Consolidated / Separate financial statements	Result to fair value where as an increase in assumption value
Price per square wah (Thousand Baht)	7 - 35	Increase in fair value

Details of land carried at its revalued amount is as follows:

(Unit : Thousand Baht)

	2017	2016
Original cost	259,860	252,260
Surplus from revaluation	481,602	-
Revalued amount	<u>741,462</u>	<u>252,260</u>

13. Intangible assets

The net book value of intangible assets as at 31 December 2017 and 2016 is presented below.

(Unit : Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Computer software - at cost	60,201	55,632	59,794	55,225
<u>Less: Accumulated amortisation</u>	<u>(35,522)</u>	<u>(30,363)</u>	<u>(35,136)</u>	<u>(29,987)</u>
Net book value	<u>24,679</u>	<u>25,269</u>	<u>24,658</u>	<u>25,238</u>

A reconciliation of the net book value of intangible assets for the years 2017 and 2016 is presented below.

(Unit : Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Net book value at beginning of year	25,269	27,472	25,238	27,430
Acquisition of computer software	4,569	95	4,569	95
Transfer from property, plant and equipment	-	3,121	-	3,121
Write - off	-	(546)	-	(546)
Amortisation	(5,159)	(4,873)	(5,149)	(4,862)
Net book value at end of year	<u>24,679</u>	<u>25,269</u>	<u>24,658</u>	<u>25,238</u>

14. Short-term loans from financial institutions

(Unit : Thousand Baht)

	Interest rate (Percent per annum)	Consolidated financial statements		Separate financial statements	
		2017	2016	2017	2016
Short-term loans from financial institutions	2.17 - 2.50	1,722,504	777,162	1,667,373	777,162
Trust receipt	2.65 - 3.10	<u>173,886</u>	<u>89,312</u>	<u>173,886</u>	<u>89,312</u>
		<u>1,896,390</u>	<u>866,474</u>	<u>1,841,259</u>	<u>866,474</u>

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

As at 31 December 2017, the credit facilities of the Company and its subsidiaries which have not yet been drawn down amounted to Baht 3,877 million (2016: Baht 4,262 million).

15. Trade and other payables

(Unit : Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Trade payables - unrelated parties	38,066	54,683	11,034	51,726
Other payables - related parties (Note 7)	-	-	12,912	11,676
Other payables - unrelated parties	49,138	43,327	45,830	41,786
Accrued expenses	58,633	81,555	44,595	67,799
Total trade and other payables	<u>145,837</u>	<u>179,595</u>	<u>114,371</u>	<u>172,987</u>

16. 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	
	2017	2016	2017	2016
Provision for long-term employee benefits				
at beginning of year	29,987	29,686	23,479	23,743
Included in profit or loss:				
Current service cost	2,252	2,117	1,846	1,736
Interest cost	930	840	728	656
Benefits paid during the year	-	(2,656)	-	(2,656)
Provision for long-term employee benefits at end of year	<u>33,169</u>	<u>29,987</u>	<u>26,053</u>	<u>23,479</u>

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

(Unit : Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Cost of sales	620	549	620	549
Selling and administrative expenses	2,562	2,408	1,954	1,843
Total expenses recognised in profit or loss	<u>3,182</u>	<u>2,957</u>	<u>2,574</u>	<u>2,392</u>

The Company and its subsidiaries expect to pay Baht 2.6 million of long-term employee benefits during the next year (Separate financial statements: Baht 2.6 million) (2016: Nil, separate financial statements: Nil).

As at 31 December 2017, the weighted average duration of the liabilities for long-term employee benefit is 16 years (Separate financial statements: 16 years) (2016: 16 years, separate financial statements: 16 years).

Significant actuarial assumptions are summarised below:

	Consolidated financial statements / Separate financial statements	
	2017 (% per annum)	2016 (% per annum)
Discount rate	3.1	3.1
Future salary increase rate	3 - 9	3 - 9
Staff turnover rate (depending on age)	0 - 40	0 - 40

The result of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligation as at 31 December 2017 and 2016 are summarised below:

(Unit : Million Baht)

	As at 31 December 2017			
	Consolidated financial statements		Separate financial statements	
	Increase 1 %	Decrease 1 %	Increase 1 %	Decrease 1 %
Discount rate	(2.4)	2.8	(1.9)	2.2
Salary increase rate	3.5	(3.0)	2.7	(2.3)

(Unit : Million Baht)

	Consolidated financial statements		Separate financial statements	
	Increase 20 %	Decrease 20 %	Increase 20 %	Decrease 20 %
Staff turnover rate	(2.1)	2.6	(1.6)	2.1

(Unit : Million Baht)

	As at 31 December 2017			
	Consolidated financial statements		Separate financial statements	
	Increase 1 %	Decrease 1 %	Increase 1 %	Decrease 1 %
Discount rate	(2.4)	2.8	(1.8)	2.1
Salary increase rate	3.1	(2.7)	2.4	(2.1)

(Unit : Million Baht)

	Consolidated financial statements		Separate financial statements	
	Increase 20 %	Decrease 20 %	Increase 20 %	Decrease 20 %
Staff turnover rate	(1.8)	2.2	(1.4)	1.8

17. 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.

18. Expenses by nature

Significant expenses classified by nature are as follows:

(Unit : Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Salaries and wages and other employee benefits	378,286	373,524	296,360	295,732
Depreciation and amortisation expenses	122,919	128,092	113,004	118,873
Transportation expenses	37,310	33,497	127,464	113,309
Commission expenses	2,224	3,300	68,920	68,915
Raw materials and consumables used	6,880,581	5,857,444	6,880,581	5,857,444
Changes in inventories of finished goods and semi-finished goods	(128,976)	(150,604)	(105,478)	(130,008)

19. Income tax

Income tax expenses for the years ended 31 December 2017 and 2016 are made up as follows:

(Unit : Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Current income tax:				
Current income tax charge	69,330	89,476	49,793	73,123
Adjustment in respect of income tax of previous year	(1,024)	-	(1,003)	-
Deferred tax:				
Relating to origination and reversal of temporary differences	2,842	13,832	2,226	11,809
Income tax expenses reported in the statement of comprehensive income	71,148	103,308	51,016	84,932

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2017 and 2016 are as follows:

(Unit : Thousand Baht)

	Consolidated financial statements	
	2017	2016
Deferred tax on gain from revaluation of land	96,320	-

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

(Unit : Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Accounting profit before tax	363,565	649,686	376,698	597,713
Applicable tax rate	20%	20%	20%	20%
Accounting profit before tax multiplied by income tax rate	72,713	129,937	75,340	119,543
Adjustment in respect of income tax of previous year	(1,024)	-	(1,003)	-
Utilisation of previous unrecognised tax losses as deferred tax assets	-	(32,166)	-	(32,166)
Effects of:				
Non-deductible expenses	3,969	7,053	3,150	4,663
Additional expense deductions allowed	(4,487)	(1,230)	(3,188)	(39)
Dividend income from subsidiaries	-	-	(23,283)	(6,817)
Others	(23)	(286)	-	(252)
Total	(541)	5,537	(23,321)	(2,445)
Income tax expenses reported in the statement of comprehensive income	71,148	103,308	51,016	84,932

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
	2017	2016	2017	2016
Deferred tax assets				
Land rental	415	-	415	-
Allowance for doubtful accounts	1,640	3,267	1,157	2,048
Allowance for diminution in value of inventories	1,837	966	1,837	966
Allowance for impairment of advance for raw material	355	1,782	355	1,782
Provision for long-term employee benefits	6,634	5,998	5,211	4,695
Total	10,881	12,013	8,975	9,491
Deferred tax liabilities				
Difference depreciation between tax and accounting base	32,210	30,500	32,210	30,500
Gain on revaluation of land	96,320	-	96,320	-
Total	128,530	30,500	128,530	30,500
Presentation in the statements of financial position				
Deferred tax assets	1,906	2,522	-	-
Deferred tax liabilities	(119,555)	(21,009)	(119,555)	(21,009)
Total	(117,649)	(18,487)	(119,555)	(21,009)

20. Surplus on revaluation of assets

This represent surplus arising from revaluation of land. The revaluation surplus can neither be offset against deficit nor used for dividend payment.

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 and the main single geographical area of their operations is Thailand. Segment performance is measured based on operating profit or loss, on a basis consistent with that used to measure operating profit or loss 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 years 2017 and 2016, 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. The contribution for the year 2017 amounting to approximately Baht 5.6 million (2016: Baht 4.2 million) were recognised as expense.

24. Dividends

Dividends	Approved by	Total dividends (Million Baht)	Dividend per share (Baht/Share)
Final dividends for 2016	Annual General Meeting of the shareholders on 21 April 2017	653.4	0.99
Total for 2017		653.4	0.99

25. Commitments and contingent liabilities

25.1 Capital commitments

As at 31 December 2017, the Company had capital commitments of approximately Baht 8.7 million (2016: Baht 71.5 million) relating to acquisition of machine and computer system development.

25.2 Letters of credit

As at 31 December 2017, the Company had commitments under letters of credit with overseas suppliers amounting to approximately USD 0.1 million (2016: USD 0.9 million).

25.3 Operating lease commitments

The Company and its subsidiaries had entered into several lease agreements in respect of the lease of land, office and motor vehicles with related parties and other companies. The terms of the agreements were generally between 3 and 13 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	
	2017	2016	2017	2016
Payable:				
In up to 1 year	9.4	9.2	3.4	1.5
In over 1 and up to 5 years	24.4	28.1	1.7	0.7
In over 5 year	26.2	32.0	-	-

(Unit : Million Baht)

	Separate financial statements			
	Related parties		Unrelated parties	
	2017	2016	2017	2016
Payable:				
In up to 1 year	5.1	4.8	2.3	1.5
In over 1 and up to 5 years	21.9	21.3	-	0.7
In over 5 year	26.0	32.0	-	-

25.4 Guarantees

- (1) As at 31 December 2017, there were outstanding bank guarantees of approximately Baht 16 million (2016: Baht 108 million) issued by banks on behalf of the Company in respect of certain performance bonds as required in the normal course of its business. These included letters of guarantee to guarantee as follows:

(Unit : Million Baht)

	2017	2016
Guarantee payments due to Customs Department	-	92
Guarantee electricity use	15	15
Guarantee as an AEO authorised importer and/or exporter to the Customs Department	1	1

- (2) As at 31 December 2017, the Company guarantees credit card facility of its subsidiary company amounting to Baht 1 million (2016: Baht 1 million).
- (3) As at 31 December 2017, the Company guarantees bank credit facility of its subsidiary company amounting to Baht 6 million (2016: Baht 6 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 and other receivables, trade and other payable and short-term loans from financial institutions. 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 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 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 and short-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.

(Unit : Million Baht)

Consolidated financial statements	As at 31 December 2017				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	-	475	-	475	0.375
Trade and other receivables	-	-	919	919	-
Other current financial assets	-	-	10	10	-
	-	475	929	1,404	
<u>Financial liabilities</u>					
Short-term loans from financial institutions	1,896	-	-	1,896	2.17 - 3.10
Trade and other payables	-	-	146	146	-
	1,896	-	146	2,042	

(Unit : Million Baht)

Consolidated financial statements	As at 31 December 2016				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	-	446	-	446	0.5
Trade and other receivables	-	-	606	606	-
Other current financial assets	-	-	1	1	-
	-	446	607	1,053	
<u>Financial liabilities</u>					
Short-term loans from financial institutions	866	-	-	866	2.07 - 2.53
Trade and other payables	-	-	180	180	-
	866	-	180	1,046	

(Unit : Million Baht)

Separate financial statements	As at 31 December 2017				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	-	277	-	277	0.375
Trade and other receivables	-	-	752	752	-
Other current financial assets	-	-	10	10	-
	-	277	762	1,039	
<u>Financial liabilities</u>					
Short-term loans from financial institutions	1,841	-	-	1,841	2.17 - 3.10
Trade and other payables	-	-	114	114	-
	1,841	-	114	1,955	

(Unit : Million Baht)

Separate financial statements	As at 31 December 2017				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	-	295	-	295	0.5
Trade and other receivables	-	-	521	521	-
	-	295	521	816	
<u>Financial liabilities</u>					
Short-term loans from financial institutions	866	-	-	866	2.07 - 2.53
Trade and other payables	-	-	173	173	-
	866	-	173	1,039	

Foreign currency risk

The Company and its subsidiaries' exposure to foreign currency risk arise mainly from trading transactions and borrowings that are denominated in foreign currencies.

The Company and its subsidiaries have financial assets and financial liabilities denominated in foreign currencies which mature within one year and are unhedged for the foreign currency risk as follows:

	Financial assets as at 31 December		Financial liabilities as at 31 December		Average exchange rate as at 31 December	
	2017	2016	2017	2016	2017	2016
Foreign currency	(Million)	(Million)	(Million)	(Million)	(Baht per 1 foreign currency unit)	
US dollar	0.26	0.30	3.69	2.50	32.5987	35.7424
Euro	-	-	1.38	-	38.8704	37.5974

26.2 Fair values of financial instruments

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

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 2017, the Group's debt-to-equity ratio was 0.88:1 (2016: 0.45:1) and the Company's was 0.93:1 (2016: 0.50:1).

28. Events after the reporting period

On 22 February 2018, the Company's Board of Directors meeting approved for payment of a dividend to the shareholders of Baht 0.39 per share, or a total of approximately Baht 257.4 million.

However, this resolution will be further proposed for the shareholders' approval in the Annual General Meeting of the shareholders for the fiscal year 2018.

29. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 22 February 2018.