

# MAKE THINGS POSSIBLE



ONE STOP SERVICE



INFRASTRUCTURE



EXPERT



INNOVATION



LOGISTICS



**WE ARE A LEADER IN STEEL PIPE  
BUSINESS OF VARIOUS  
INTERNATIONAL STANDARDS**

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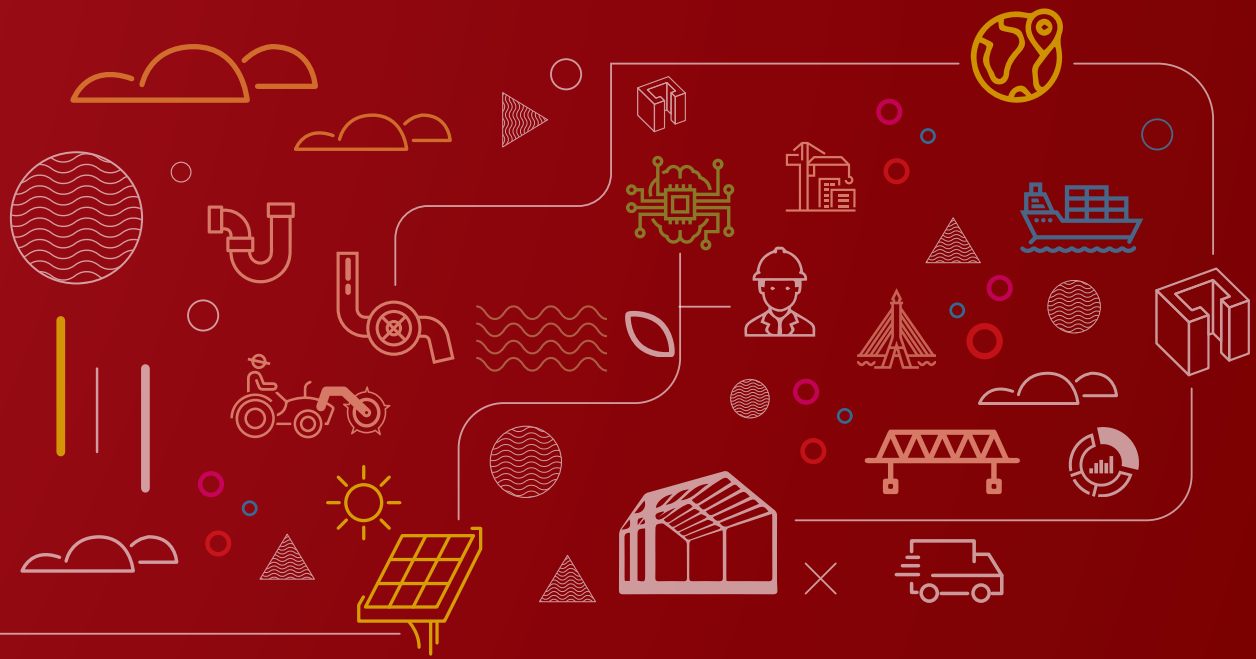
MAKE THINGS POSSIBLE

VISION

# YOUR PARTNER FOR TOTAL SOLUTIONS







## VALUE



CREATIVITY



HARMONY



ACHIEVEMENT ORIENTED



NETWORKING



GROWTH



ENTREPRENEURSHIP



MAKE THINGS POSSIBLE

# BE THE LEADER OF STEEL PIPES MANUFACTURER



PIPING SYSTEM



CONSTRUCTION



ARCHITECTURE





## INFRASTRUCTURE



## AGRO-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 46 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.





## MESSAGE FROM CHAIRMAN



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The global economy in 2018 improved according to world trade. The continuous recover by the main trading partner countries, resulting in the manufacturing sector and export increased coupled with inflation rate, interest rate and the unemployment rate remains low. The Thai economy slow grow which is the effect of a trade war, resulting to the Thai export slow but important factors that make the Thai economy still expand are domestic spending, increasing capacity utilization in many industries and continued investment in large-scale of government projects.

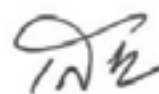
The overall of domestic steel industry in 2018, The consumption growth around 6% from 2017 because of the support from the construction of public infrastructure and the construction of the private sector. With this reason, the sales volume (ton) of 2018 increased 6.65% from last year while the company's total revenue growth by 21.02% and total revenue was 9,943 million baht. However, the company's net profit was 94 million baht which decreased 68% from last year. The result of rising steel price in 2018 and strong competition in the domestic market make the selling price increase more slowly than the increased product cost.

Moreover, the company continues to focus on the ethics and encourage all employee perform duties with responsibility by comply with the principles of the good corporate governance and business code of conduct for all stakeholders. Focusing on the good corporate governance and corporate social responsibility, the Company acquired a "Very Good" level in Corporate Governance Report of Thai Listed Companies 2018 (CGR)


assessed by Thai Institute of Directors (IOD). The company has continued to conduct social responsibility activities for all stakeholders of the company with focusing on employees and the communities that are near the company. The details are stated in the Corporate Social Responsibility report.

The board of directors consider with the management team review vision, mission and values including the business plan and goal for year 2019. In order to be suitable for the business competition and the global economy that is likely declining growth rates due to the uncertainties of political and world trade although the Thai economy that has positive factors driven by the government project, which is expected that the steel industry will be rise approximately 1.0-2.0 percent.

Lastly, the Company's board of directors was grateful to the shareholders, trade partners, all those related, 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.



**Mrs. Saowanee Kamolbutr**  
**Chairman**



**WE CONTINUOUSLY DEVELOP  
TO SUCCESS BEYOND  
EXPECTATIONS.**

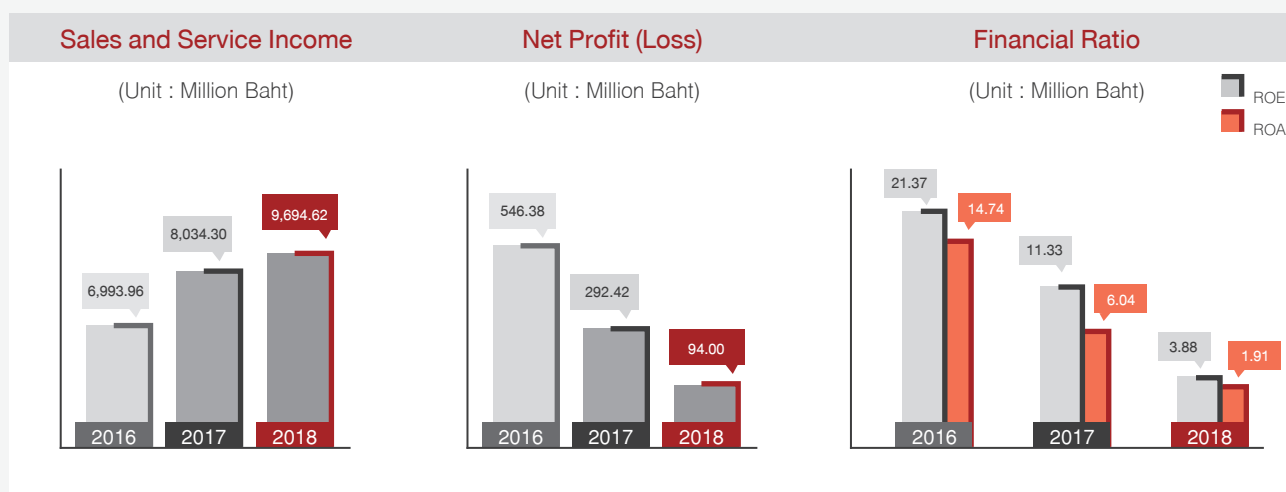


## FINANCIAL HIGHLIGHT

(Unit : Million Baht)

Financial Position	2016	2017	2018
<b>Financial Position</b>			
Sales and service income	6,993.96	8,034.30	9,694.62
Total Revenue	7,150.37	8,215.72	9,942.69
Operating Profit	683.07	404.51	173.60
Net Profit (Loss)	546.38	292.42	94.00
Total Assests	3,707.86	4,844.55	4,914.76
Total Liabilities	1,150.88	2,263.33	2,494.28
Total Equity	2,556.98	2,581.22	2,420.48
<b>Financial Ratio</b>			
Net Profit on Total Revenues (%)	7.64	3.56	0.95
Return on Equity (%)	21.37	11.33	3.88
Return on Assets (%)	14.74	6.04	1.91
Debt to Equity (Times)	0.45	0.88	1.03
Earning Per Share (Baht/Share)	0.78	0.49	0.12
Dividend Payout (%)	126.92	80.02	41.67
Book Value Per Share (Baht/Share)	3.87	3.91	3.67
Share and Fully Paid-up Share Capital (Million Shares)	660.00	660.00	660.00

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





## GENERAL INFORMATION

### Pacific Pipe Company Limited



Ticker	: PAP
Type of Operation	: Manufacturing and selling steel pipes
Phra Pradang Plant Location	: 298, 298/2, Soi Klabcharoen, Suksawad Rd., Amphoe Prasamut Chede, 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	: <a href="http://www.pacificpipe.co.th">www.pacificpipe.co.th</a>
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

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## 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., Amphoe Prasamut Chede, 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 <sup>rd</sup> Floor, Lake Rajada Office Complex, New Rajadapisek Road, Klongtoey, Bangkok 10110



## THE COMPANY'S HISTORY


- 1972** • Pacific Pipe Public Company Limited was established as Tang Mong Seng factory by the Lekapojpanich family which initially produced and sold toy cars. We expanded the business into the production of pipe which was pipe furniture and various types of pipes in 1981.
- 1991** • Since the steel pipe sector had proved considerably successful and grown extensively, the Family then decided to switch their focus to solely on this business, and therefore, set up Pacific Pipe Company Limited on September 19<sup>th</sup>, 1991 as a manufacturer and distributor of steel pipes.
- 2003** • To restructure the Company, some of the Family members jointly set up Tang Mong Seng Holding Co., Ltd. in order to hold shares in the Company instead of individual holding. The Company decided to purchase shares of Tamose Trading Co.,Ltd. (Tamose) from Lekapojpanich family by holding 99.94% of total paid up shares of Tamose. Currently, Tamose is responsible for operating sales and marketing functions in both domestic and international scales on behalf of Pacific Pipe PLC.
- 2004** • As of March 17<sup>th</sup>, 2004, the Company was converted to a public company under the name "Pacific Pipe Public Company Limited" with the registered capital of 660 million baht by means of share offering of 16 million shares with the par value of 10 baht per share. The Company conducted Initial Public Offering (IPO) of 15.3 million shares at the offering price of 45 baht per share and issued 700,000 warrants to seven directors.  
  
**The Securities were listed on the Stock Exchange of Thailand on November 8<sup>th</sup>, 2004**
- 2006** • The Company took over Meesub Transport Co., Ltd. by purchasing 99.97% of Meesub's total shares. Meesub Transport Co., Ltd. is currently responsible for operating the logistics function on behalf of Pacific Pipe Public Company Limited. On April 7<sup>th</sup>, 2006, the Annual General Meeting of the year passed the resolution allowing the Company to split par value of 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 30<sup>th</sup>, 2008, the Extra Ordinary General Shareholder Meeting No.1/2008 passed the resolution allowing the Company to split par value of ordinary share from 5 baht to 1 baht, which resulted to the increase in the number of the Company's ordinary shares from 132 million shares to 660 million shares which the operating completed on August 13<sup>th</sup>, 2008. As of September 14<sup>th</sup>, 2008, the Board of Directors meeting No.11/2008 passed the resolution about the Treasury Stock Program for Financial Management. The amount for the share repurchase should not exceed 21 million Baht. Number of shares repurchased equal 3.18% of total paid-up capital.
- 2009** • As of December 9<sup>th</sup>, 2009, the Extra Ordinary General Shareholder Meeting No.1/2009 approved the purchasing land 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 8<sup>th</sup>, 2010, the Company has completed in Treasury Stock Program which sales of repurchase share in the total of 1,450,700 shares which purchased in the rate of 0.93 Baht per share and sale in the rate of 1.63 Baht per share.




**2011** • Pacific Pipe gets a standard guarantee by JIS Mark Scheme Certificate of Compliance from JQA. JQA is a Japanese non-profit organization which has a main responsibility to issue a guarantee document for the products which are in line with the Japanese Industrial Standards (JIS) condition. The 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.

**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** •  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.

**2018** • The Company's product is , standard certified: UL 852 - Metallic Sprinkler Pipe For Fire Protection Service from Underwriters Laboratories Inc., The United States of America. It can be seen that  and  are the only one stand pipes for fire hydrant in Thailand that receive double guarantee from two leading international standard certification institutions.

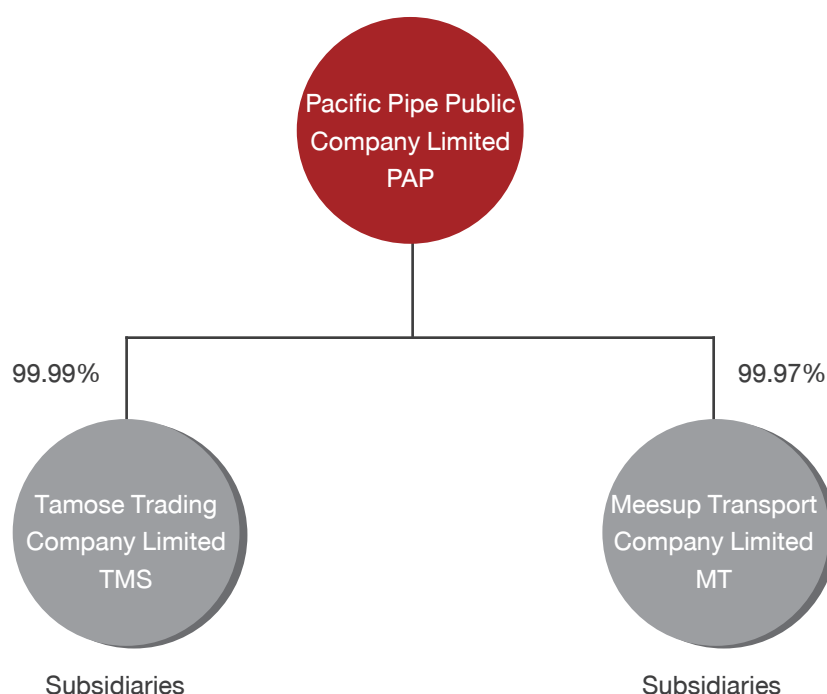
The Company is certificated with the  brand name which is a set of a pipe and joint used for Crosshole Sonic Logging Test. It was invented and produced by the Company to match the need in constructions and mega-projects in the country. It would help supply the need to import such product from overseas.

## 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 “

The division in operation policy between Pacific Pipe Public Company Limited (“PAP”) and Tamose Trading Company Limited (“TMS”) is clear. PAP is the steel pipe manufacturer and TMS is an agent responsible for selling steel structural pipes produced by Pacific Pipe Public Company Limited. Tamose Trading Company Limited “TMS” thus expands itself to a integrated business, supplying and selling constructing equipment, be it structure works such as communication fundamental structure, airport structure, warehouse structure, skyscraper structure, or system works such as fire protection system, irrigation system, sanitation system.





## Revenue Structure

	2016		2017		2018	
	(MB.)	(%)	(MB.)	(%)	(MB.)	(%)
<b>Sales and service income</b>						
Domestic	6,806.30	95.19	7,747.33	94.30	9,389.40	94.44
International	93.21	1.30	173.49	2.11	190.79	1.92
Service income	94.45	1.32	113.48	1.38	114.43	1.15
<b>Total Sales and service income</b>	<b>6,993.96</b>	<b>97.81</b>	<b>8,034.30</b>	<b>97.79</b>	<b>9,694.62</b>	<b>97.51</b>
Net foreign exchange gain	-	-	7.72	0.09	7.46	0.07
Other revenues	156.41	2.19	173.70	2.12	240.61	2.42
<b>Total Revenue</b>	<b>7,150.37</b>	<b>100.00</b>	<b>8,215.72</b>	<b>100.00</b>	<b>9,942.69</b>	<b>100.00</b>

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

## Business Characteristics

Our steel pipes are manufactured by the process of Electric Resistance Welded production system (ERW). The company offers both of made to order and finished products. The product 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: e.g. 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-Magaport



Office building



Sport Stadium



Airport

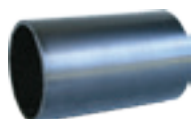


Warehouse



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 200 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 grade

### Standard grades : The steel pipes are labeled and sold under the brand “ ”

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 “ ”

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 e.g.: 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/IEC17025 : 2005 General Requirement for Competence of Testing and Calibration Laboratories	Thai Industrial Standard Institute, The Ministry of Industry
ISO 14001 : 2004 Environmental Management System	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 Province	Manufacturing steel pipe.	24 rais 1 ngan 69 sq.wa. 3 buildings
2. Mahachai plant (I)	1/112 Samutsakorn Industrial Park, Moo 2, Rama II Road, Amphoe Muang, Samutsakorn Province	Galvanizing steel pipe.	8 rais 2 ngan 5 sq. wa. 1 buildings
3. Mahachai plant (II)	1/97 Samutsakorn Industrial Park, Moo 2, Rama II Road, Tambol Tasai, Amphoe Muang, Samutsakorn Province	Manufacturing large-size steel pipe.	20 rais 3 ngan 98 sq.wa. 1 buildings
4. Mahachai plant (III)	24/31 Moo 2, Tambol Tasai, Amphoe Muang, Samutsakorn Province	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 Province	Storage for sales.	22 rais 22 sq.wa.2 buildings
6. Distribution Center at Lad lum Kaew	50/6 Moo 2, Tambol Namai, Amphoe Lad lum Kaew, Pratumthani Province	Storage for sales.	25 rais 2 ngan 31 sq.wa. 2 buildings
7. Sales Department at Lumpini	1168/74 26 <sup>th</sup> , Lumpini Tower, Rama IV Road, Bangkok, Thailand 10120	Sales office.	1,772.17 sq.m.



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### 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 checkup 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 2018, the actual production capabilities were approximately 366,388 tons for black steel pipes and 14,622 tons for galvanized steel pipes.

The Company's major raw material of producing steel pipes is hot rolled coil, which accounts for approximately 98.46% 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 92.48% of the total raw material purchased, from 3 major domestic manufacturers: Sahaviriyan Steel Industries Plc., G Steel PCL.,

### 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 systematic risk management throughout the organizational structure. The Risk Management Committee is responsible for monitoring and assessing significant risks and reporting any issues to the Board of Directors. In 2018, the Company reviewed and assessed the risk factors and planned strategies to reduce the impact from those risks. Significant risks of the year 2018 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 a risk is an external factor which is beyond the Company's control. However, the Company has a risk reduction strategy:

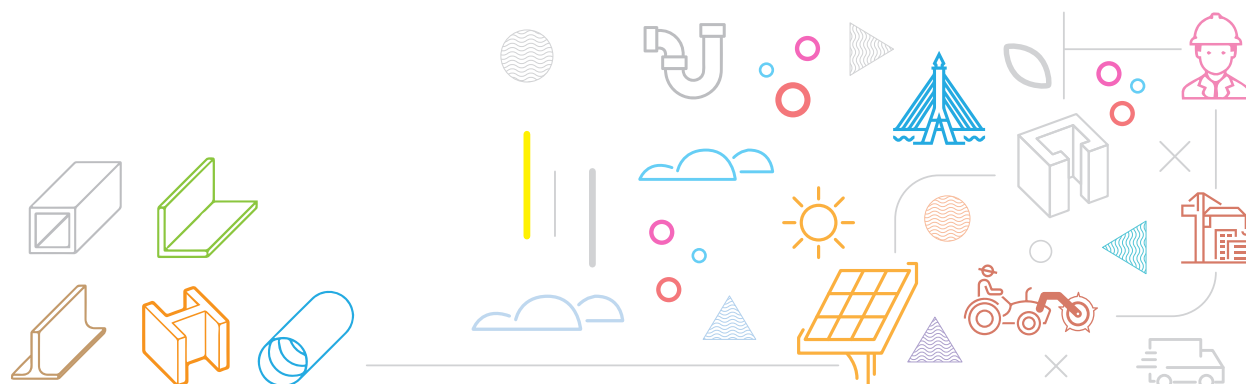
- (1) Monitoring the global steel price with caution and purchasing material more carefully, and,
- (2) Maintain the quantity of material and inventory at appropriate levels.

### 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.



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#### 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 Interest Rate Volatility

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

#### 6. 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 the 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 products. 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.

#### 7. Risk from Commercial Credit

During the Company's business, there are 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 11<sup>st</sup> 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

remain invariable.

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 23

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)

#### Summary of Rental Land at Bangna – Trad Km.29

Parties Involved	Relationship	Rental period	Rental rate
<b>Lessee</b> Pacific Pipe PLC. (PAP)	• Mr. Prayoon Lekapojpanich, Director of BBA, is Mr. Somchai Lekapojpanich's older brother.	11 Years since 1 <sup>st</sup> September 2014 - 31 <sup>st</sup> August 2025	2,428,800 Baht
<b>Lessor</b> 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 2<sup>nd</sup> 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 Gnan, 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 23

## Summary of Rental Land at Lad Lum Kaew

Parties Involved	Relationship	Rental period	Rental rate
<b>Lessee</b> Pacific Pipe PLC. (PAP)	<ul style="list-style-type: none"> <li>Mr. Prayoon Lekapojpanich, Director of LLK is Mr. Somchai Lekapojpanich's older brother.</li> </ul>	13 Years since 1 <sup>st</sup> July 2015 - 30 <sup>th</sup> June 2028	2,677,500 Baht
<b>Lessor</b> Lat lum kao Asset Co., Ltd.	<ul style="list-style-type: none"> <li>Mr. Vichai Lekapojpanich, Director of LLK is Mr. Somchai Lekapojpanich's younger brother.</li> </ul>		

### 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.

KwangTungmahamek, Satorn, Bangkok. The period of contract is 3 years which is retroactive effective on 1<sup>st</sup> August 2016 to 31<sup>st</sup> 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.

In June 2018, the Lessor agreed to divide the rental space between Tamose Trading (TMS) and Pacific Pipe (PAP) due to the area is not enough to work. However, the rental rate is still the same rate and proportion of rental space from 1<sup>st</sup> June 2018 - 31<sup>st</sup> July 2019 can be summarized as follows:

- Lessee 1 : Tamose Trading Company Limited (TMS) (subsidiary) with rental are : 30 square meter
- Lessee 2 : Pacific Pipe Public Company Limited (PAP) with rental are : 662.50 square meter

### 3. Lease office space on 24<sup>th</sup> floor of Lumpini

The Board of Director meeting no. 5/2016 on 11<sup>st</sup> August 2016 resolve to allow Tamose Trading Co.,Ltd. ("TMS") (a subsidiary) to renew the contract for the area of 692.50 sq.m. using for office (3<sup>rd</sup> renewal) at the address no. 1168/68-69, Fl.24<sup>th</sup> Lumpini Tpw, RamalV,



### Summary of Office Space Rental at 24<sup>th</sup> floor, Lumpini Tower

Parties Involved	Relationship	Rental period	Rental rate
<b>Lessee 1</b> Tamose Trading Company Limited (TMS)	<ul style="list-style-type: none"> <li>TMS is a subsidiary of PAP</li> <li>Tang Mong Seng Holding Company Limited holds 39.05% of PAP's paid-up capital.</li> </ul>	3 years since 1 <sup>st</sup> August 2016 - 31 <sup>st</sup> July 2019	1,909,700 Baht
<b>Lessee 2</b> Pacific Pipe Public Company Limited (PAP)	<ul style="list-style-type: none"> <li>Mr. Somchai Lekapojpanich is a Director of PAP, MH and TMS.</li> </ul>	14 months from 1 <sup>st</sup> June 2018 - 31 <sup>st</sup> July 2019	2,411,500 Baht
<b>Lessor</b> Tang Mong Seng Holding Company Limited. (MH)			

### 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.



**HONESTY, TRANSPARENCY AND  
ADHERENCING TO GOOD COREPORATE  
GOVERNANCE PRINCIPLES ARE THE  
KEY OF MANAGING**

## DIRECTORS AND MANAGEMENT TEAM



**Mrs. Saowanee Kamolbutr**  
Independent Director  
Chairman  
Age 65 years

### Appointed Date :

December 1<sup>st</sup>, 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 (RCC8/2009)
- 2006 Director Certification Program (DCP 69/2006)

### Work Experience in the past 5 years

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

### Current Director Position in Other Organization

#### In listed companies :

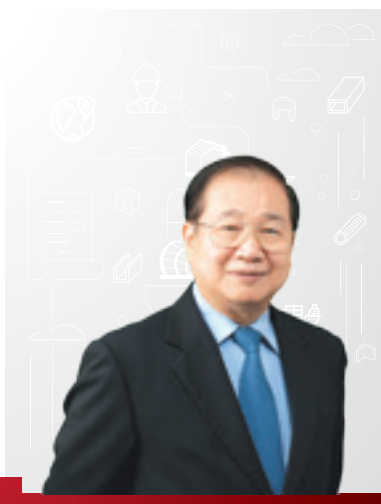
- 2016 - Present Independent Director and Member of the Audit Committee, Glow Energy Public Company Limited
- 2016 - Present Independent Director, Member of the Audit Committee, Member of the Risk Management Committee, and Chairman of the Corporate Governance Committee, FN Outlet Public Company Limited
- 2012 - Present Independent Director and Chairman of the Audit Committee, T.K.S. Technologies Public Company Limited
- 2014 - Present Independent Director and Chairman of the Audit Committee and Member of the 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.



**Dr. Vicharn Aramvareekul**  
**Independent Director**  
**Chairman of Audit Committee**  
**Age 70 years**

#### **Appointed Date :**

April 24<sup>th</sup>, 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)**

- |      |  |
|------|--|
| 2018 | Board that Make Difference (BMD 6/2018)                              |
| 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    Independent Director, Member of the Audit Committee,  
Member of Corporate Governance  
And Risk Management Committee 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. Chaoyong Satjipanon**  
Independent Director  
Chairman of Risk Management  
Committee  
Age 65 years

#### Appointed Date :

July 21<sup>st</sup>, 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)

#### Training from Other Institute

- 2011 Advanced Management Program (AMD),  
International Institute for Management Development (IMD)
- 2007 Advanced Management Program, Harvard University

#### 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, Member of Audit Committee, Chairman of Risk Management Committee and Member of Nomination and Remuneration Committee,  
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**  
**Independent Director**  
**Chairman of Remuneration**  
**Nomination and Corporate**  
**Committee**  
**Age 61 years**

#### **Appointed Date :**

April 20<sup>th</sup>, 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**

- 2018 - Present Honorary Director, Thai industrial Standard institute (TSI)
- 2018 - Present Independent Director and Member of the Audit Committee, Premier Enterprise Public Company Limited
- 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 :**

- 2018 - Present Independent Director and Member of the Audit Committee Premier Enterprise Public Company Limited

##### **In non-listed companies :**

- 2018 - Present Honorary Director, Thai industrial Standard institute (TSI)
- 2011 - Present Managing Director, Accounting Pikanet 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. Piyanus Chaikajornwat**  
Independent Director  
Director of Audit Committee  
Director of Remuneration Nomination  
and Corporation Committee  
Age 43 years

#### Appointed Date :

June 12<sup>nd</sup>, 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 - 2014    | Chairman of Risk management Committee,<br>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 62 years

#### **Appointed Date :**

July 7<sup>th</sup>, 2016

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

#### **Education**

- Master's Degree in Business Administration, Chulalongkorn University
- Bachelor's Degree in Accounting, Thammasat University

#### **Training from Thai Institute of Directors Association (IOD)**

2017 Director Accreditation Program (DAP 133/2017)

#### **Training from Other Institute**

2018 Digital Economy & Transformation

#### **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. Easra Disorntetiwat**  
Independent Director  
Age 54 years

#### Appointed Date :

January 18<sup>th</sup>, 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)

2017 Director Accreditation Program (DAP 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.



**Mr. Somchai Lekapojpanich**  
Director of Executive Committee  
Chief Executive Officer  
Age 59 years

**Appointed Date :**

March 17<sup>th</sup>, 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.





**Ms. Viriya Ampornapakul**  
 Director of Executive Committee  
 Director of Risk Management Committee  
 Director of Remuneration Nomination and Corporate Committee  
 Chief Financial Officer  
 Age 57 years

#### Appointed Date :

[1<sup>st</sup>] March 17<sup>th</sup>, 2004 to April 19<sup>th</sup>, 2008

[2<sup>nd</sup>] January 20<sup>th</sup>, 2009

**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

2004 - 2008 Financial Director, Pacific 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**

**Director of Executive Committee**

**Director of Risk Management  
Committee**

**Chief Operating Officer**

**Age 38 years**

**Appointed Date :**

April 23<sup>rd</sup>, 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 Certification Program (DCP 177/2013)

**Work Experience in the past 5 years**

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.



**Mr. Nantawat Sathirachaiyawit**  
Engineering Director  
Age 60 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 55 years

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

**Education**

- Master of Business Administration, Chulalongkorn University

**Work Experience in the past 5 years**

- 2008 Business Director, Organon (Thailand) Company Limited



**Mr. Supat Borsombat**  
Sale Director  
Age 53 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**

- 2008 - 2010 Sale Director, Pacific Pipe Company Limited
- 1993 - 2015 Executive Director, Ekkathai Company Limited



**Mr. Pert Leevilaikulrat**  
Assistant Director  
Age 40 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 Company Limited

## Training, seminar or summary report of regulations to support the duties of Directors in year 2018

No.	Subject	Mrs. Saowanee	Dr. Vicharn	Dr. Chaiyong	Mr. Kriengkrai	Mrs. Udomwara	Ms. Piyanus	Ms. Easra	Mr. Somchai	Ms. Viriya	Ms. Thitima
1	Board that Make Difference Thai Institute of (BMD 6/2018) Director		✓								
2	Digital Economy & Transformation					✓					
3	The impact of Section 232 investigation Pacific Pipe Public Company Limited	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
4	New Good Corporate Government : CG Code Pacific Pipe Public Company Limited	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
5	Preliminary to Corporate Sustainability The Stock Exchange of Thailand (SET)									✓	
6	Report of changes in securities holding Refer to The notification of The Security and Exchange Commission SorJor. 38/2018 Pacific Pipe Public Company Limited	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
7	The impact of Compulsory Standards Update by TIS : Steel Bar (2016) Pacific Pipe Public Company Limited	✓	✓	✓	✓	✓		✓	✓	✓	✓

## Training and seminar for Executives in year 2018

No.	Subject	Mr. Somchai	Ms. Viriya	Ms. Thitima	Mr. Nantawat	Mr. Supat	Mrs. Phathra	Mr. Pert
1	PAP Management Development Program	✓	✓	✓	✓	✓	✓	✓
2	CEO CLUB 2018 Start Less Finish More	✓						
3	Company Secretary Program (CSP 86/2018)							✓
4	Risk Management	✓	✓	✓	✓	✓	✓	✓

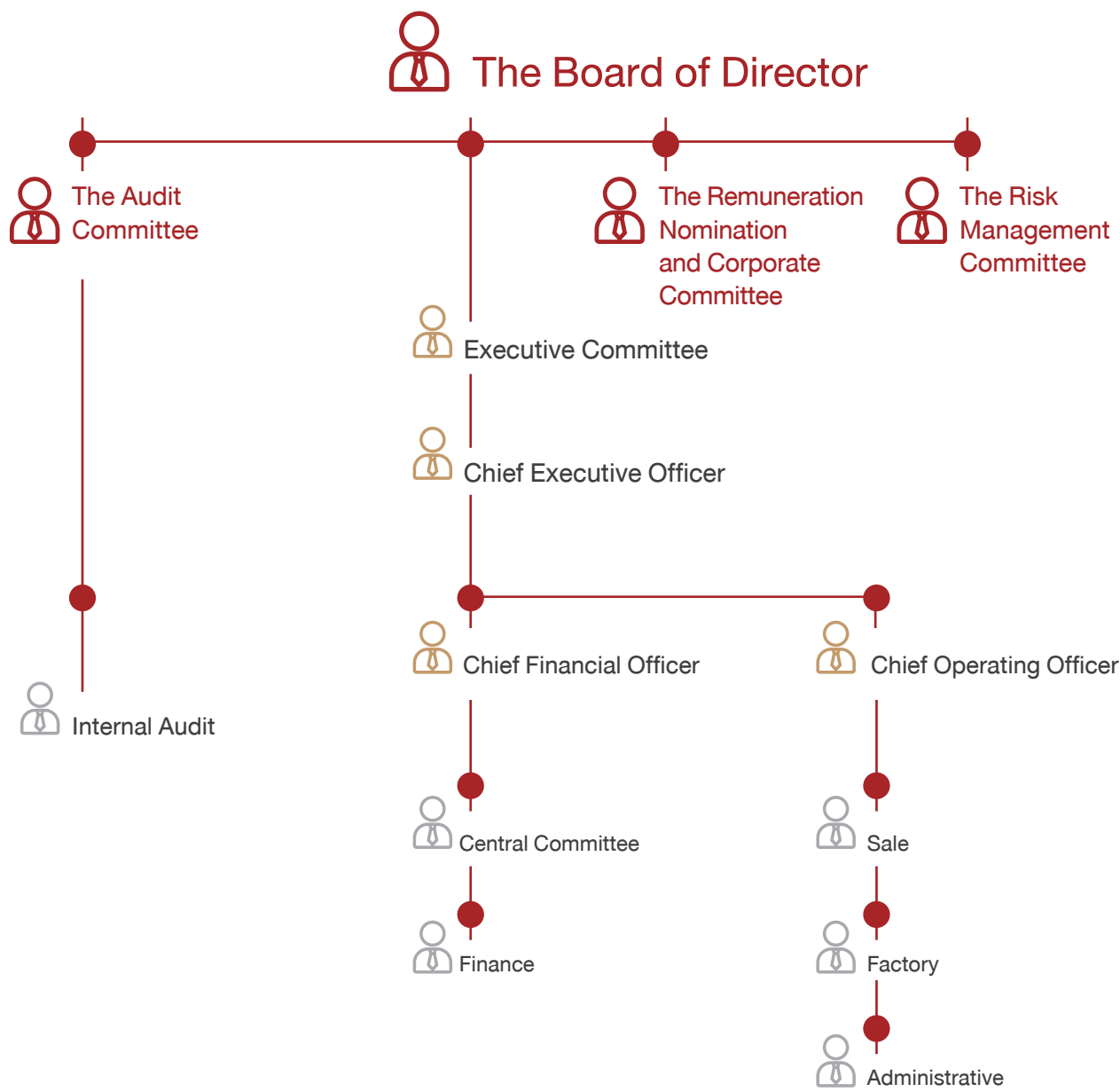
## Shareholdings of Directors and Management Team (as at December 31<sup>st</sup>, 2018)

Name	as at December 31 <sup>st</sup> , 2017		Increase (decrease) during financial year	as at December 31 <sup>st</sup> , 2018		Percentage of shares held (%)
	Held personally	Held by spouses and minor children		Held personally	Held by spouses and minor children	
1. Mrs. Saowanee Kamolbutr	-	-	-	-	-	-
2. Dr. Vicharn Aramvareekul	-	-	-	-	-	-
3. Dr. Chaityong Satjipanon	-	-	-	-	-	-
4. Mr. Kriengkrai Rukkulchon	300,000	-	235,000	535,000	-	0.08
5. Ms. Piyanus Chaikajornwat	-	-	-	-	-	-
6. Mrs. Udomawara Dechsongjarus	-	-	-	-	-	-
7. Ms. Easra Disorntetiwat	-	-	-	-	-	-
8. Mr. Somchai Lekapojpanich	10,187,500	17,812,500	-	10,187,500	17,812,500	4.24
9. Ms. Viriya Ampornapakul	3,400,000	-	-	3,400,000	-	0.52
10. Ms. Thitima Vattanasakdakul	-	-	-	-	-	-
11. Mr. Nantawat Sathirachaiyawit	5,011,100	-	-	5,011,100	-	0.76
12. Mr. Supat Borsombat	-	-	-	-	-	-
13. Mrs. Phathra Chanyavilas	50,600	-	-	50,600	-	0.007
14. 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 28<sup>th</sup>, 2018

Name of shareholders	No. of Share (share)	Percentage
1. Tang Mong Seng Holding Company Limited <sup>/1</sup>	257,762,500	39.05
Lekapojpanich Group <sup>/2</sup>	229,560,000	34.78
2. Siree Koowuttayakorn	25,500,000	3.86
3. Prasan Kemakongkanon	12,024,000	1.82
4. Thai NVDR Company Limited	6,662,500	1.01
5. Nantawat Sathirachaiyawit	5,011,100	0.76
6. Sunisa Kwanbunbumphen	3,476,500	0.53
7. Viriya Ampornnapakul	3,400,000	0.52
8. Chuvit Jittarasakul	3,360,000	0.51
9. Peter Eric Dennis	3,310,600	0.50
10. Supa YungYuensuntorn	2,712,100	0.41
<b>Total</b>	<b>552,779,300</b>	<b>83.75</b>

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

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

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

Name of shareholders	No. of Share (share)	Percentage
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%
<b>Total</b>	<b>229,560,000</b>	<b>34.78%</b>

**(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%
<b>Total</b>	<b>229,560,000</b>	<b>34.78%</b>

Note : The names no. 1 - 13 are the same person which are on the Table2 (The Lekapojpanich group)

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## 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.

April 27<sup>th</sup>, 2018.

In 2018, the Company paid the dividend payment at rate 0.39 per share or 79.60% of the net profit of 325.68 million baht on separate financial statement of the year 2017. The dividend payment is in accordance with the resolution of the Annual General Meeting of shareholders dated on

## The Company Director Structure

Pacific Pipe Public Company Limited consists of 5 committees which are

1. The Board of Director
2. The Audit Committee
3. The Remuneration Nomination and Corporate Committee
4. The Risk Management Committee
5. The Executive 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.  | Mrs. Saowanee Kamolbultr     | Independent Director and Chairman   |
| 2.  | Dr. Vicharn Aramvareekul     | Independent Director and Chairman of Audit Committee  |
| 3.  | Dr. Chaiyong 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.  | Mr. Somchai Lekapojpanich    | Director of Executive Committee and Chief Executive Officer   |
| 9.  | Ms. Viriya Ampornnapakul     | Director of Executive Committee, Director of Risk Management Committee, Director of Remuneration Nomination and Corporate Committee and Chief Financial officer |
| 10. | Ms. Thitima Vattanasakdakkul | Director of Executive Committee, Director of Risk Management Committee and Chief Operating Officer  |

Note : Director No. 8, 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 55

## 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 36. 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 3<sup>rd</sup> March 2016 to 3<sup>rd</sup> 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 56. 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 4<sup>th</sup> February 2018 to 3<sup>rd</sup> February 2021, 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 57. 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 22<sup>nd</sup> February 2018 to 22<sup>nd</sup> February 2021, 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 58. The Risk

Management Committee appointed Ms. Napaporn Pornanu Wong as the secretary of the Risk Management Committee.

#### 5. The Executive Committee

The Executive Committee consists of 3 executive directors which have 3-year term of director since 12<sup>nd</sup> November 2018 to 12<sup>nd</sup> November 2021, namely;

- |                                |                                 |
|--------------------------------|---------------------------------|
| 1. Mr. Somchai Lekapojpanich   | Chairman of Executive Committee |
| 2. Ms. Viriya Ampornnapakul    | Executive Committee             |
| 3. Ms. Thitima Vattanasakdakul | Executive Committee             |

Governance which is on page 58. The Executive Committee appointed Ms. Paycharin Juanchainart as the secretary of the Executive Committee.

#### The meeting attendance of Directors

The Meeting attendances of the directors in 2018 are as below:

Director	Attendance / Total of Meeting					
	Board of Director (7 times)	Audit ommittee (8 times)	Remuneration Nomination & Corporate Committee (4 times)	Risk Management Committee (4 times)	The Executive Committee (2 times)	Meeting of Shareholders (1 times)
1. Mrs. Saowanee Kamolbutr	7/7					1/1
2. Dr. Vicharn Aramvareekul	7/7	8/8				1/1
3. Dr. Chaiyong Satjipanon	7/7			4/4		0/1
4. Mr. Kriengkrai Rukkulchon	7/7		4/4			1/1
5. Ms. Piyanus Chaikajornwat	6/7	8/8	4/4			1/1
6. Mrs. Udomwara Dechsongjarus	7/7	8/8				1/1
7. Ms. Easra Disornetiwat	7/7					1/1
8. Mr. Somchai Lekapojpanich	7/7				2/2	1/1
9. Ms. Viriya Ampornnapakul	7/7		4/4	4/4	2/2	1/1
10. Ms. Thitima Vattanasakdakul	7/7			4/4	2/2	1/1

Note : 1. The Company arranged the Annual General Meeting 2018 on 27<sup>th</sup> April 2018

2. The Board of director and Management team set the meeting to approve the strategy for year 2019 on 31<sup>st</sup> October 2018



## 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 year 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 December 31<sup>st</sup>, 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 for board of director

#### 1.1 Monetary Remuneration

According to the Annual General Meeting's resolution of 2018, the shareholder approved the remuneration for 2018 within the amount 7,000,000 baht. In 2018, the company paid for Board of director's remuneration in the total of 6,480,000 baht.

The Company paid the meeting allowance and gratuity to independent directors while the executive directors was paid only gratuity.

**a. The gratuity and Meeting Allowance**

Director	Position	Gratuity (Total)	Meeting Allowance (Total)	Total (Total)
1. Mrs. Saowanee Kamolbutr	Independent Director Chairman of the Board of Director	460,000	150,000	610,000
2. Dr. Vicharn Aramvareekul	Independent Director Chairman of Audit Committee	520,000	230,000	750,000
3. Dr. Chaoyong Satjipanon	Independent Director and Chairman of Risk Management Committee	420,000	190,000	610,000
4. Mr. Kriengkrai Rukkulchon	Independent Director and Chairman of the Remuneration Nomination and Corporate Committee	420,000	190,000	610,000
5. Ms. Piyanus Chaikajornwat	Independent Director Director of Audit Committee Director of Remuneration Nomination and Corporate Committee	420,000	250,000	670,000
6. Mrs. Udomwara Dechsongjarus	Independent Director Director of Audit Committee	330,000	240,000	570,000
7. Ms. Easra Disorntetiwat	Independent Director	240,000	150,000	390,000
8. Mr. Somchai Lekapojpanich	Chairman of Executive Committee Chief Executive Officer	240,000	-	240,000
9. Ms. Viriya Ampornnapakul	Director of Executive Committee Director of Risk Management Committee Director of Remuneration Nomination and Corporate Committee Chief Financial Officer	420,000	-	420,000
10. Ms. Thitima Vattanasakdakul	Director of Executive Committee Director of Risk Management Committee Chief Operating Officer	330,000	-	330,000
<b>Total</b>		<b>3,800,000</b>	<b>1,400,000</b>	<b>5,200,000</b>

Note : 1. The Company arranged the Annual General Meeting 2018 on 27<sup>th</sup> April 2018

2. The Board of director and Management team set the meeting to approve the strategy for year 2019 on 31<sup>st</sup> October 2018

**b. The gratuity for independent directors that resign due to the term of director expired by rotation and be an independent director for 9 years.**

In 2018, the Company paid the total of gratuity amount 1,280,000 Baht to independent directors, namely; Mr. Kriengkrai Rukkulchon and Ms. Piyanus Chaikajornwat respectively.

**1.2 Other remuneration**

- Medical limits.
- Training course

## 2. Remuneration for Executives

### 2.1 Monetary Remuneration

The remuneration for executive consists of salary and bonus. In 2018, the Company paid the remuneration to 7 executives in the total amount of 32,212,999.97 Baht.

### 2.2 Other remuneration

The company has provident fund for executives and the Company pay in the 5% rate of salary. In year 2018, the total of provident fund that the Company paid for executives is 1,122,925 Baht.

## Employee

As of December 31<sup>st</sup>, 2018 number of employees in the Company is as follows. (Excluding executives)

Position	Quantity
1. Sale	71
2. Finance	110
3. Administrative	211
4. Factory	558
5. Central Committee	28
<b>Total</b>	<b>978</b>

## Remuneration of employee (Excluding executives)

The remuneration for employees consists of salary, bonus and provident fund. In 2018, the Company paid the remuneration to the employee (excluding Executives) in the total of 203,448,538.67 Baht.

## Auditor Compensation

In 2018, 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	1,160,000
2. Tamose Trading Company Limited	370,000
3. Meesup Transport Company Limited	240,000
<b>Total</b>	<b>1,770,000</b>

### 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.

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# 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.
- 1.4 Rights to elect directors
  - 1.4.1 Each shareholder is entitled to vote equaling to the number of shares held.
  - 1.4.2. Each shareholder appoints the directors individually.
  - 1.4.3. 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.
- 1.5 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](http://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](http://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.

## Section 2 Equitable Treatment of Shareholders

### 1. Attending the shareholders' meeting

- 1.1 The Company releases the meeting documents, Thai and English, 30 days in advance in the Company's website at [www.pacificpipe.co.th](http://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.

- 1.2 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](http://www.pacificpipe.co.th)
- 1.3 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](http://www.pacificpipe.co.th).
- 1.4 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.
- 1.5 Shareholders who attend after the meeting has started are able to vote in the agenda that is in pending and undetermined by vote.
- 1.6 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.

## **2. 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;

- 2.1 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.
- 2.2 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.
- 2.3 The employees who are a part of the stakeholding are prohibited to enter any transactions on behalf of the Company, in order to prevent the conflict of interest that might be occurred.
- 2.4 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.

2.5 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.

2.6 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.

2.7 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.

2.8 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.

## **3. 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.



### Use of inside information practice

Directors and executives must prepare and report their security holding, including their spouse's, cohabitating partner's and minor children's. They also need to report a change in securities holding to The Securities and Exchange Commission of Thailand (SEC) according to Section 59 of The Notification of the Office of the Securities and Exchange Commission 1992 revising by The Notification of the Office of the Securities and Exchange Commission 2016 (No. 5):

- 3.1 First Report (Form 59-1) within 30 days from closing date of the offer for sale of securities or the date appointed as an executive.
- 3.2 Each time and within 3 business days from the date of the purchase and sell. The Company also has policy preventing the misuse of inside information by directors, executives and the officers involving directly with inside information by:
  - 3.2.1 Quarterly reporting their Company's security holding to the audit department and to the board of director.
  - 3.2.2 Not using financial statement information in purchasing and selling the Company's security from the 15<sup>th</sup> of the month after the Company prepares the quarter's financial statement and until 24 hours after the statement has been delivered to the Stock Exchange of Thailand. The Company shall announce the security trading prohibit date for each period. During the previous year, the directors and executive has been strictly complied to the policy.
  - 3.2.3 The use of other information to trade the Company's security, since receiving and until 24 hours after the information is disclosed to the public, is prohibited.

- 3.3 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.
- 3.4 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.
- 3.5 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.
- 3.6 Any advice about the Company's securities trading must not be provided unless it is related to a duty assigned by the Company.
- 3.7 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.
- 3.8 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.

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## 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.

### 3.1 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.

### 3.2 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.

### 3.3 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.

### 3.4 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 24<sup>th</sup> Lumpini Tower Building, Rama IV Rd., Bangkok 10120

Telephone : 0-2679-9000

Fax : 0-2679-9201-3

E-mail : 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.

### **3.5 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.

### **3.6 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, equipment and resources.

### **3.7 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 :

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- 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

#### 1. Information and report

- 1.1 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.
- 1.2 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 52
- 1.3 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.

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## **2. Rules and duties of the Board of Director and Top executive**

### **2.1 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;

- 2.1.1 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 and review such issue in every 5 year at least. In October 2018 the board reviewed vision of the company and passed the resolution that the vision and mission have been defined since the end of the year 2017, also are appropriate. In addition, considered strategy plan and budget for year 2019 and defined the executive directors to communicate the operators to do the action plan. The performance report will present to the Board of Directors on a quarterly basis.
- 2.1.2 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.

- 2.1.3 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.
- 2.1.4 To ensure that the Company has an effective written corporate good governance policy ethics and committee guidelines and approve the policy.
- 2.1.5 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.
- 2.1.6 To revise and comment on the sufficiency of the Company's internal control annually.
- 2.1.7 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.
- 2.1.8 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.
- 2.1.9 To approve significant transactions such as investment projects and other transactions stated by the law.
- 2.1.10 To establish a reliable financial report and audit system.

### **2.2 Authority of the Board of director**

- 2.2.1 Determine the authority of the Chairman and the President.
- 2.2.2 Appoint, discharge and entitle sub-committees.



- 2.2.3 Consult to the Company's experts or counselors (if any), or hire external experts and counselors in case of necessary.
- 2.2.4 Approve or cancel the credit limit that is beyond the management's authority.
- 2.2.5 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.
- 2.2.6 Approve irregular transactions in financial amount that is beyond the management's authority.
- 2.2.7 Appoint and discharge the Company Secretary.
- 2.2.8 Approve the important transaction such as investment project and any action defined by law.

### 2.3 Chairman

- 2.3.1 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.
- 2.3.2 Ensure that all directors contribute to the Company's ethical culture and good corporate governance.
- 2.3.3 Set the board meeting agenda by discussing with an independent director.
- 2.3.4 Be a Chairman of the Board of Directors meeting and the shareholders meeting.
- 2.3.5 Allocate sufficient time for management to propose topics and for directors to debate important matters thoroughly. Encourage directors to exercise independent judgment.
- 2.3.6 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.

- 2.3.7 Promote a culture openness and debate through ensuring constructive relations between executive and non-executive directors, and between the board and management.

### 2.4 The Audit Committee

- 2.4.1 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.
- 2.4.2 To review that the Company has established appropriate and effective internal control system and internal audit system.
- 2.4.3 To approve the appointment, transfer, dismissal, and performance evaluation of top management of the internal audit department.
- 2.4.4 To approve internal audit plans, budget and manpower of internal audit department.
- 2.4.5 To consider and review the independence and performance report of internal audit unit.
- 2.4.6 To verify that the Company has appropriate and effective risk management, including the internal procedure of trace and complains receiving.
- 2.4.7 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.
- 2.4.8 To evaluate the Company's auditor in the following issues;
  - a. To consider the auditor's payment based on creditability, resource

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- adequacy, and workload of the audit firm and experience of the auditor.
  - b. To consider independence of the auditors to nominate, propose or relieve the Company's auditor.
  - 2.4.9 To examine the Company's information disclosure to comply with relevant regulations in case of related transaction or conflict of interest occurs.
  - 2.4.10 To perform other tasks as assigned by the Company's Board of Directors and consent by the Audit Committee.
  - 2.4.11 To prepare report on activities of the Audit Committee and disclose in the Company's annual report.
  - 2.4.12 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.
  - 2.4.13 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.
  - 2.4.14 Reporting its regular activities to the Board of Director for their acknowledgement.
  - 2.4.15 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:
    - a. Transaction with conflict of interest.
    - b. Corruption, irregularity or defect in the internal control system;
    - c. Violation of the Securities and Exchange Law, the regulations of the Stock.

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, cons 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.

- 2.4.16 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.

## 2.5 The Remuneration Nomination and Corporate Committee

### 1. The Nomination

- 1.1 To set the nominate criteria and process consistent approved by the board of director.
- 1.2 The Remuneration Nomination and Corporate Committee together with the Chief Executive Officer establish the criteria and procedures for nomination of new chief executive officer and approve by the Board of Director.
- 1.3 To select the qualified persons to the position of director by nominating the persons to the Company's Board of Directors for approval and/or to the shareholders' meeting, as the case may be.

- 1.4 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.

## 2. The Remuneration

- 2.1 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.
- 2.2 To consider salary adjustment and other welfare or benefit to the Chief Executive Officer and propose.
- 2.3 To be accountable to the Company's Board of Directors by explaining and answering the questions regarding the directors' compensation during the shareholders' meeting.

## 3. The Corporate Governance

- 3.1 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.
- 3.2 Set the CRS report approved by the board of director.
- 3.3 Operate other task assigned by the Board.

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

- 2.6.1 To define risk management policy and propose to the Board for the approval.
- 2.6.2 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.

- 2.6.3 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

- 2.6.4 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.

- 2.6.5 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.

- 2.6.6 To communicate, exchange information and coordination in risk management and internal control with the Audit Committee.

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

- 2.6.8 To perform any task assigned by the Board.

### **2.7 The Executive Committee**

- 2.7.1 Consider and establish the Company's policy, direction, strategy and operation, including investment plan and annual budget allocation to propose to the board of director.

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- 2.7.2 Control and monitor the Company's operation to comply with the policy, direction, strategy, investment plan and budget approved by the board of director and consistently report to the board.
  - 2.7.3 Alter and add an annual expense budget in case of emergency which would affect the usual business operation. Then propose to the board for ratification in the next meeting.
  - 2.7.4 Approve an expense for material purchasing for manufacturing or for the products for selling for a usual business operating transaction with the amount assigned by the Board of directors.
  - 2.7.5 Approve an expense for investment in buildings, machines, equipments, information system or fixed assets regarding a usual business operating transaction within the amount assigned by the Board of directors.
  - 2.7.6 Determine the interim or annual dividend to propose to the board of director for consideration and approval.
  - 2.7.7 Define the organization structure and authority to manage, appoint, hire, transfer, relieve and consider the compensation and bonus for the employee with level M3 and higher.
  - 2.7.8 Perform any tasks assigned by the board of director.

## **2.8 Chief Executive Officer**

- 2.8.1 To conduct and propose the Company's business policies, goals, operational plans, business strategies, and annual budgets to the Board of Directors for approval.
- 2.8.2 To set business plans, budgets, and management authorities to seek approval from the Board of Directors.

- 2.8.3 To approve financial activities to purchase raw materials and asset procurement for the Company's business expansion in the limit based on the defined scope of authorization.
- 2.8.4 To set efficient organization and management structures, covering the Company's employee selection, training, hiring and termination from worker to manager level 2 of the Company.
- 2.8.5 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.
- 2.8.6 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.

## **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 provide 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 4 sub-committees: Audit Committee, Remuneration Nomination and Corporate Committee Risk Management Committee and Executive 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 in dependent directors and 1 executive director, with the term limits of 3 years.

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#### 4.3 Risk Management Committee

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

#### 4.4 Executive Committee

The Executive Committee consists of 3 executive director and the term limits is 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 thereof 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 on the Board of Directors meeting no. 1 of every year in order to analyze assessment results released and share opinion on each issue. The results of the Board's evaluation will be used to determine the suitability of the Board composition. The results of evaluations of year 2018 are as follows;

All 25 items of the board of director's performance assessment covers the director's preparedness, strategy and business planning, risk management and internal control, controlling and preventing conflict of interest and monitoring financial reports and operation. The assessment result is at 98.64%.

All 18 items of the director's self-assessment covers the director's qualifications, board meeting, performing director's duty and good corporate governance. The assessment result is at 100%.

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

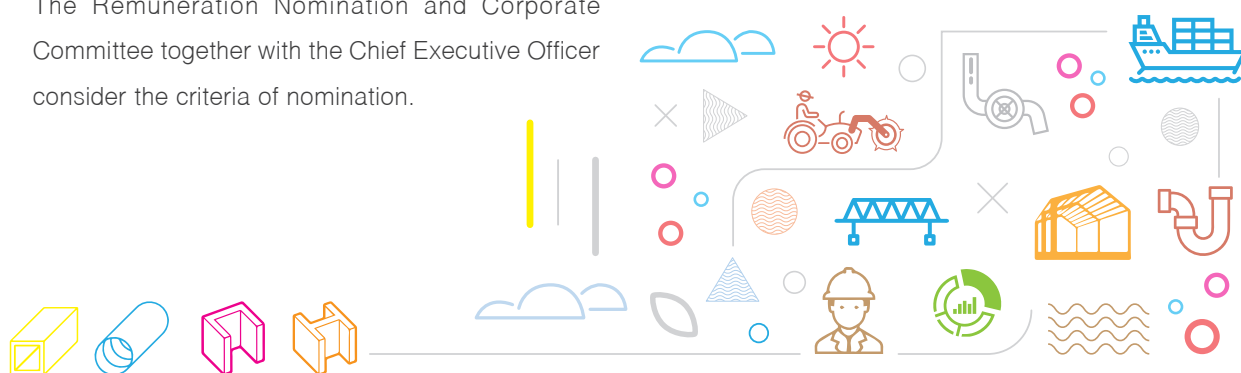
The Chief Executive Officer operational result assessment is a tool for a performance development and Chief Executive Officer's annual compensation consideration. The assessment is divided into 2 sections: the first one evaluates goal achievement and the second one evaluates the Chief Executive Officer's 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.

## The Nomination of Director and Independent Director process

In the case The Remuneration Nomination and Corporate Committee nominates the existing director, the performance of such director shall be taken into consideration.

The Remuneration Nomination and Corporate Committee together with the Chief Executive Officer consider the criteria of nomination.

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.



The clarifications for some regulations that are unable to be carried out for year 2018 are as follows;

Regulations yet to be practiced	Reason / alternative measure
<p>1. The board should be ensure that the company's governance framework and policies extend to its subsidiaries, including written policies relation to:</p> <p>(1) The authority to appoint subsidiary directors, executives, or others with controlling power. Generally, the board should have the authority to appoint those person, except that for smaller operating subsidiaries, the board may delegate this authority to the chief executive officer.</p> <p>(2) The duties and responsibilities of subsidiary directors, executives and others with controlling power. They are to oversee the subsidiaries' operations to ensure compliance with applicable law and standards, and the subsidiaries' policies. If the company subsidiary has investors other than the company. The board should require the company's appointed representative to perform his/her role in the subsidiary's best interest and consistent with the governance framework and policies of the company.</p>	<p>For the regulations of (1) and (2) which are about the corporate governance and control the subsidiaries which in practice, all subsidiaries' executives are the same person as executive directors and management team of Pacific Pipe. This is to ensure that the operation and policy of subsidiaries will support and operate to the best benefit for main company and its subsidiaries.</p>
<p>2. For business that the company has or plan to hold a significant investment in (such as between 20 percent and 50 percent of shares with voting rights), other than subsidiaries. The board should ensure that shareholder agreements or other agreements are in place to enable the company's performance monitoring and participation in the business, including for approval of significant transaction and decisions. This is to ensure that the company has sufficient, accurate, and timely information for the preparation of its financial statement that conform with relevant standards.</p>	<p>The company has no plan to invest with other business.</p>

## 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 39

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### 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 1<sup>st</sup> 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 Bhurepongsanond (Age 45)

##### 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

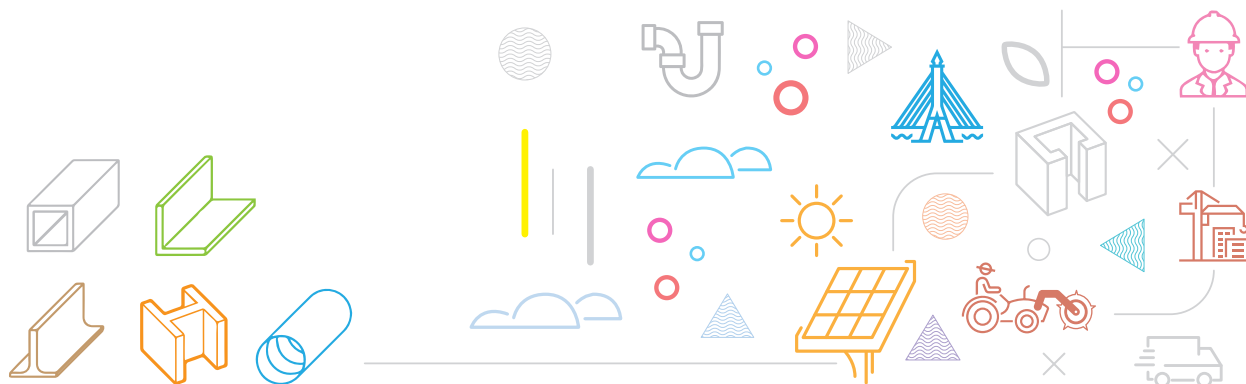
- 2004 - Present Internal Audit Manager, Pacific Pipe Public Company Limited
- 1997 - March 2004 Internal Audit Supervisor, IRPC Company Limited

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.

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;

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 KPIs to evaluate every activity achievement.

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.



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### 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 (KPIs) 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 from 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.

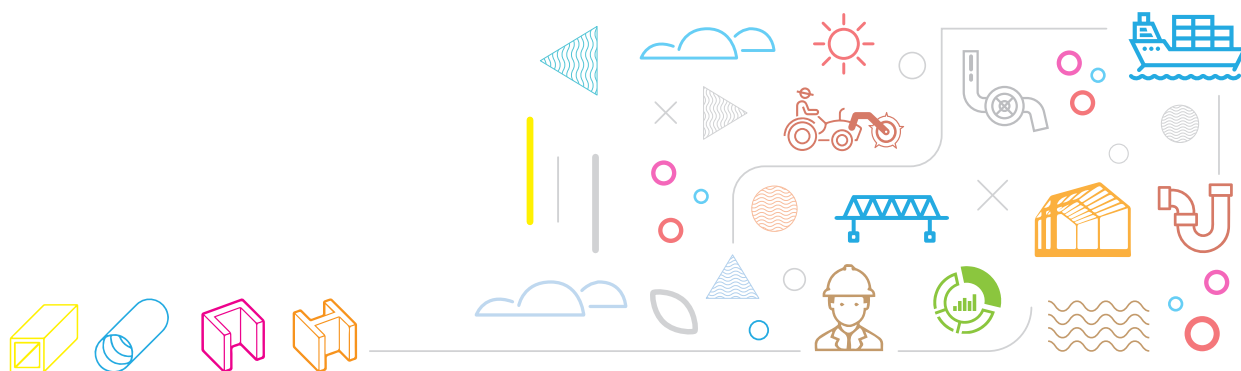
## 7. Monitoring

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 agreement 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.



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## ANTI-CORRUPTION POLICY

Directors, executives and employees of the Company and its subsidiaries are prohibited from all kinds of corruption that leads to an abuse of power to seek direct and indirect advantage for an individual, family, friends and acquaintances. This includes a case that an individual is the taker and giver of the money or non-money to state agency or private sector doing the business with such as accepting objects, gifts, feast, donated/fund-raised money or other advantage to one's self from those who do business with the company. The anti-corruption policy must be strictly complied.

The Company has no policy to demote, punish or cause negative effect to the employee who refuses to accept the corruption even though the act causes the Company to lose business opportunity.

### Definition

**Fraud and corruption** refers to an act or an omission of one's duty or a misuse of authority of any kind. This includes direct or indirect bribery, promising of providing, requesting or demanding from a state agency or other individuals doing business with the Company any asset, money, object, rights or other advantage that is against morals, law, regulations or policy in order to gain or maintain any advantage that is inappropriate to the organization, one's self or other related party, except for cases allowed by law, regulation, announcement, local norm and tradition or trading tradition.

**Bribery** refers to giving or accepting an asset or other advantage to persuade an individual to perform, refrain from or defer any act that is against one's duty.

**Political contribution** refers to assistance in financial and other aspects to support political activity. Financial contribution includes providing loans. Other contribution may include providing objects or service, advertising for or supporting a political party, purchasing tickets to a fund raising event or donation to an organization with intimate relationship with a political party. Also, allowing employee to be the Company representative or allow an unpaid day-off to join political campaign is defined as political contribution.

**Gift** refers to money or objects that can be traded for cash such as a gift card, voucher or gift check. It also includes any object or privilege traded between a company and a contactor by hospitality, norm, tradition or social etiquette such as a gift.

**Charitable donation** refers to providing money, object or any advantage to state agency, private sector, organization or an individual to support society, religion and education such as donating money or objects to disaster victims or donating money to a foundation providing lunch to students in need.

### 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 and assign to executives communicate and supervise the policy to employee at all level. Including define the control to ensure that all employee understand and aware of the importance of problem that occurred by corruption.

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. Executives are responsible for settling an anti-corruption support system by conveying the employee and related individuals about the system and reviewing the practicality of the system and measures in order to conform to the change in business and law.
7. All directors, executives and employees are responsible for strictly complying to and supporting the anti-corruption policy by not getting involved with any direct and indirect acts of corruption. Should the employee have questions or witness the violation of this policy,

the employee must report to one's superior or via the complaint channel according to complaint and whistle-blowing policy.

#### **Best practice**

1. Offering and accepting a bribe, reward or any advantage that might cause or count as corruption is prohibited.
2. Any operation or relation with illegal business is not allowed.
3. Procurement must be made by the Company procedure and in accordance with the regulation and must be transparent and verifiable.
4. Making trading agreement with a business partner, the employee must avoid providing or accepting any object regarding the negotiation, contract and operation promised. Any gift giving or taking must be done in accordance with the related Company policy and regulation strictly.
5. The employee must not attempt to overpower a business partner and competitor illegally and unethically, be it providing privilege assistance, giving or taking a gift and feast or other advantage.
6. The Company operates with political neutrality by not providing political contribution or support to a political party or a politician in any aspect and not encouraging the directors, executives and employees to participate any political activity representing the Company. The Company understands it is an individual's rightful rights and freedom to participate political activity. But one must not claim the position in the Company or use the Company's property to support political activity, not perform any act misleading about the Company's political participation or support. An expression of opinion and action regarding politics in the office or the Company area is deemed offense to the Company regulations.

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7. Charitable donation and financial support to any organization must be done transparently and strictly in accordance with ethics, morals, law and related Company regulation. Such action must not cause conflict of interest, be it an individual's or the Company's, and must not be used as a claim for fraud and corruption.
  8. Directors and executives must be aware of the importance of knowledge dissemination and providing advice about the anti-corruption to the subordinates for them to comply with the anti-corruption policy and must be a good role-model in having honest and ethics.

#### Measure / conduct

The Company aims to raise awareness about anti-corruption and bribery by communicating within the Company for the directors, executives and employees to understand and acknowledge the importance of anti-corruption and bribery, including the related policy and regulation through employee meetings, trainings, seminars and the Company's media. The employee working in relevant with the Company's stakeholders is responsible for informing the policy via the communication channels.

#### Anti-corruption disclosure

The Company complies with the law of Thailand operating on the anti-corruption. To allow all individuals inside and outside the Company to acknowledge the anti-corruption policy, the Company shall:

1. Publicize the anticorruption policy on all of the Company's signboards.
2. Disclose the anti-corruption policy via communication channels such as intranet and company website.
3. Provide employees training on anti-corruption.

#### 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;
  - Actions deemed fraud, corruption and bribery
- 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 details 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 Chairman of Audit Committee  
Dr. Vichan Aramvareekul /  
E-mail : huang\_vc@yahoo.com
  - 2.2 Chairman of Remuneration Nomination and Corporate Committee  
Mr. Kriengkrai Rakkulchon /  
E-mail : kriengkri@gmail.com
  - 2.3 Internal Audit Manager  
Mr. Naritchai Bhurepong /  
E-mail : naritchai.bhu@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 1168/74 Floor 26<sup>th</sup> Lumpini Tower  
Building, Rama IV Rd., Bangkok 10120

### 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 as follow:

### CASE A : Complaint about CEO / CFO / COO

Investigator Team :

1. Chairman of Audit Committee
2. Chairman of Remuneration Nomination / and Corporate Committee.
3. Vice-President of Internal Audit

### CASE B : In addition in CASE A

Investigator Team :

1. CFO or COO
2. Vice-director of Internal Audit
3. Vice-President of -Human Resource

Secretary of Remuneration Nomination and Corporate Committee attend as 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

CASE A report to The Board of director approval /  
CASE B report to Chief Executive Officer (CEO)

### Reporting an operation and investigation results

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

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.
4. The Company shall not treat the reporter or appellant unfairly.

### Penalty for the violation

The penalty for the violation is in accordance with the Company regulations and/or related law.

### The frequency of policy review

Every year or when there is a significant change.

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## THE AUDIT COMMITTEE REPORT

The Board of Directors of Pacific Pipe Public Co. Ltd. has approved the Audit Committee to hold their posts. The Audit Committee consists of the 3 qualified independent directors having complete qualifications as set by the Stock Exchange of Thailand as follows:

- |                   |  |
|-------------------|--|
| 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 | Bhureongsanond                           |
|                   | as the Secretary of the Audit Committee. |

For the fiscal year of 2018, the Audit Committee has performed their tasks independently and completely as assigned by the Board of Directors by holding the meetings with the Management, the External Auditors and Internal Auditor in order to present jointly the information, discuss and exchange the opinion on the relevant agenda at the meetings with the Board of Directors. The Audit Committee has the Internal Auditor as the tools to conduct their tasks as set by the Charter. The Internal Auditor reports to the Audit Committee which has enabled the Internal Auditor to perform their duties independently and transparently according to the good corporate governance in order to protect the company's benefits rightly and access to adequate information sufficiently. For the year of 2018, there were 8 meetings which included 4 meetings with the External Auditors without the Management. The crucial performances of the Audit Committees can be summarized as follows:

### 1. Financial statements

Reviewed quarterly financial statements and annual financial statement of 2018 by consulting with the External Auditors and considering their recommendation on internal control system. The Audit Committee has found that the company's financial reports were prepared in conformity with generally accepted accounting principles standard and with adequate information disclosure.

### 2. Connected transaction

Reviewed and provided opinion on the connected transactions or transactions with conflict of interest in order to assure that those connected transactions were conducted with fair condition and for the utmost benefits of the Company for which the Company have practiced the policy of good corporate governance by implementing transparency and adequate information disclosure.

### 3. Internal Audit

Approved the audit plan and workforce for the year of 2018 including the consideration of the adequacy of personnel development of the internal audit team for achievement of the annual audit plan and verified the result of the performance and the recommendation of the internal auditor including the result of the inspection and the follow-up work of the correction for improvement according to the given recommendations of the Internal Audit. The Audit Committee has treated the quality of internal control, the correctness and reliability of financial reports, as well as the compliance to the relevant policies, regulations and laws as importance. In conclusion, the internal auditing of the Company has been performed independently, sufficiently and effectively.



#### 4. Good Corporate Governance

Pursued the communication and dissemination of the Code of Conduct for the Company's employees which required the employees of the associated companies to report every time the names of the connected persons, the shareholding information for each quarter that involved with conflict of interest or the connected transactions to the Audit Committee for reporting to the Board of Directors of the Company. For the year of 2018, there was no transaction significantly involved with conflict of interest.

#### 5. The Result of the performance of Audit Committee

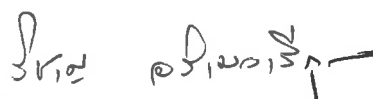
Presented the auditing results of the Audit Committee to the Company's Board of Directors for every meeting of the Board of Directors by giving the opinion and recommendation benefiting to the operation of the Management for which the Management has taken into their consideration and adapted appropriately for improving their operation. The Audit Committee has also taken up the evaluation of the performance of Audit Committee for the year of 2018 made by the Board of Directors into their consideration for further improvement of their tasks.

#### 6. The company's Auditors

Evaluated the independency of the Company Auditors and given comments on the remuneration of the auditors for presenting to the Board of Directors before getting the approval from the 2019 Annual General Meeting of the shareholders for the appointment of the auditors from EY Office Company Limited for the year of 2019.

For the above activities throughout the year of 2018, the Audit Committee has found that the Board of Directors and the Management have hold the policy of good governance as importance and adhered to the business ethics by striving their operation toward the achievement of the Company's objectives with good quality like a professional and have taken the operation in accordance with the policies, rules of good conduct and the relevant laws into consideration. The activities included the improvement of the risk management as crucial part in order to achieve the utmost efficiency and to support the internal audit to achieve the effective result and sufficiency. These activities covered as well the independency of internal audit and the auditing processes that has been conducted in accordance with international standard of the professional internal auditing which have been improved continuously as well.

On behalf of the Audit Committee



**Dr. Vicharn Aramvareekul**  
**Chairman of the Audit Committee**

**22 February 2019**

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# 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, 2018 - February 4th, 2021. The Committee members are listed as follows;

- |                   |   |
|-------------------|---|
| 1. Mr. Kriengkrai | Rakkulchon<br>Chairman of the Remuneration<br>Nomination and Corporate<br>Committee     |
| 2. Ms. Viriya     | Apornnapakul<br>Committee of the Remuneration<br>Nomination and Corporate<br>Committee  |
| 3. Ms. Piyanus    | Chaikajornwat<br>Committee of the Remuneration<br>Nomination and Corporate<br>Committee |
| And Ms. Nantana   | Lakham<br>Secretary of the Remuneration<br>Nomination and Corporate<br>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 2018, the Remuneration Nomination and Corporate Committee arranged 4 meetings to determine significant issues of their responsibility which are summarized as follows;

## 1. Nomination

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. Remuneration

- 1) 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.
- 2) 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.
- 3) 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 2018 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 2018 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 and focuses on CSR-in-process.
- 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 2018 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 2018, the directors were compensated according to the 2018 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**  
**16 January 2018**

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# 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. Chaibong   | Satjipanon<br>Chairman of the Risk<br>Management Committee     |
| 2. Miss Viriya    | Ampornnapakul<br>Director of the Risk<br>Management Committee  |
| 3. Miss Thitima   | Vatanasakdakul<br>Director of the Risk<br>Management Committee |
| And Miss Napaporn | Pornanuwong<br>Secretary of the Risk<br>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 2018, 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. In addition, the Company also access the corruption risk to ensure that the company has adequate controls to mitigate that risks.

## 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 performance based on the results of the a

Dr. Chaiyong Satjipanon

Chairman of the Risk Management Committee

17 January 2019

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## REPORT ON THE RESPONSIBILITY OF THE BOARD OF DIRECTOR FOR THE FINANCIAL REPORT OF 2018

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 31<sup>st</sup>, 2018 with reliability, using generally accepted accounting principles and operating correctly according to the relevant law and regulations.



**Mrs. Saowanee Kamolbutr**

**Chairman**

**22 February 2019**



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

### 1. Overall Results of Operations

The overall of domestic steel industry in 2018, The consumption growth around 6% from 2017 because of the support from the construction of public infrastructure and the construction of the private sector. With this reason, the sales volume (ton) of 2018 increased 6.65% from last year while the company's total revenue growth by 21.02% and total revenue was 9,942.69 million baht. However, the company's net profit was 94.00 million baht which decreased 67.86% from last year. The declining profit was the result of strong competition in the domestic market, with this reason resulting in the inability to adjust the selling price as the cost increases.

### 2. Results of Operations for the year 2018

For fiscal year ended December 31, 2018, the Company reported the sales and service income of Baht 9,694.62 million, which increased from 2017 of Baht 8,215.72 million or 20.67%. The Company had net profit of Baht 94.00 million or 0.97% of Sales and service income. Earnings profit per share (EPS) was Baht 0.14

Gross Profit Margin of the Company for fiscal year ended December 31, 2018 is 4.28% which decreased from 2017 of 8.33%. Due to the intense domestic competition, the price could not be increased with the increasing cost along steel price direction.

### Revenues

For fiscal year ended December 31, 2018, the Company reported the sales and service income Baht 9,694.62 million which was 97.51% of total revenue increasing 20.67% from year 2017. This sales revenue could be categorized into domestic and export sales of Baht 9,389.40 million and Baht 190.79 million or accounting for 94.44% and 1.92% respectively. The total revenue of the Company increased from Baht 8,215.72 million in 2017 to Baht 9,942.69 million in 2018 or increased 21.02%.

Revenue breakdown by customer group show in table below, Industrail amount of Baht 817.56 million was high growth rate customer group in year 2018, growing from year 2017 Baht 352.33 or approximately 75.73%.

Revenue from Sale	2016		2017		2018	
	Million	(%)	Million	(%)	Million	(%)
1. Trader	5,547.30	79.32	6,299.58	78.41	7,126.60	73.51
2. Contractor	679.02	9.71	1,152.34	14.34	1,485.29	15.32
3. Industrial	515.57	7.37	465.23	5.79	817.56	8.43
4. Other	157.62	2.25	3.67	0.05	150.74	1.55
<b>Total Sales and service income</b>	<b>6,899.51</b>	<b>98.65</b>	<b>7,920.82</b>	<b>98.65</b>	<b>9,580.19</b>	<b>98.81</b>
Service Income	94.45	1.35	113.48	1.41	114.43	1.19
<b>Total Revenue from Sale and Service</b>	<b>6,993.96</b>	<b>100.00</b>	<b>8,034.30</b>	<b>100.00</b>	<b>9,694.62</b>	<b>100.00</b>

### Cost of sales and service

In 2018, the Company reported cost of sales and service of Baht 9,279.40 million or 95.72 % of sales and service income compare to year 2017 of Baht 7,365.10 million or 91.67% of sales and service income. The cost of sales and service portion to sales and service income increased from year 2017 because the steel cost was higher than the same period last year.

### Selling and administrative expenses

In 2018, the Company reported Selling and administrative expenses of Baht 489.70 million, which increased from 2017 of Baht 43.58 million or increased 9.77% due to the rise in sale quantity and expense in operation.

### Return on Equity

In 2018, the Company had net profit of Baht 94.00 million. The return on equity was 3.88% which decreased from return on equity 11.33 % in 2017 due to net profit that dramatically decreased aforementioned in Results of Operations.

### Financial Position

#### Assets

##### Total assets

At the end of year 2018, the Company had total assets of Baht 4,914.76 million, which increased from 2017 of Baht 70.21 million or increased 1.45% due to the increasing in inventory, account receivable and advance payment for raw materials that mostly delivery product next month.

Account receivable in 2018 was Baht 1,025.86 million, which increased from 2017 of Baht 107.30 million or increased 11.68%. Account receivable aging show as table below.

(Unit : Million Baht)

Aged on the basis of due dates	2016	2017	2018
Not yet due	469.58	682.15	723.99
Past due			
Up to 3 months	127.60	225.39	263.23
3 - 6 months	7.56	9.37	20.78
6 - 12 months	1.13	2.04	29.23
Over 12 months	16.40	7.80	11.73
<b>Total</b>	<b>622.27</b>	<b>926.75</b>	<b>1,048.96</b>
Less: Allowance for doubtful debts	(16.33)	(8.19)	(23.10)
<b>Total trade receivables - net</b>	<b>605.94</b>	<b>918.56</b>	<b>1,025.86</b>

#### Inventory

The Company had an inventory of Baht 1,501.57 million, which increased from year 2017 of Baht 45.15 million or 3.10%. 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 58 days faster than last year which was 65 days which still in line with Company's Policy.

#### Property, Plant and Equipment

The Company had property, plant and equipment of Baht 1,852.59 million, which decreased from year 2017 of Baht 73.03 million or 3.79% because the company has no important investment for this year. The value of property, plant and equipment decreased from year 2017 after deducting accumulated depreciation.

### Liquidity

The Company's current ratio 2018 and 2017 were 1.29 and 1.37 respectively, while its cash cycle ratio in 2018 and 2017 were 9 and 23 days respectively. In terms of debt service capability, the Company's interest coverage ratio at the end of 2018 and 2017 were 3.15 and 9.88 respectively.

During the year 2018, the company had Cash Flow used in operating activities used in Baht -79.68 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	2016	2017	2018
From Operating activities (used in)	325.16	(174.66)	(79.68)
From Investing activities (used in)	(97.45)	(174.50)	(55.24)
From Financing activities (used in)	(222.71)	378.34	38.81
Net increase in cash (decreased)	5.00	29.18	(96.11)

### **Source of Funds**

#### Liabilities

The Company's total liability was Baht 2,494.28 million or Baht 230.95 million increased from year 2017 because in year 2018, the Company's short-term loan from financial institutions was Baht 2,192.58 million or Baht 296.19 million increased from year 2017 due to the increasing in working capital require from account receivable and inventory.

### Shareholders' Equity

The shareholders' equity of the Company was Baht 2,420.48 million in 2017, which decreased Baht 160.74 million or 6.23% from 2017.

### Capital Structure

The debt to equity ratio at 31 December, 2018 and 2017 were 1.03 and 0.88 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 2018

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

### **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 a risk is an external factor which is beyond the Company's control. However, the Company has a risk reduction strategy:

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

For more risks that impact the operational results of the company, please see in headline "Risk Factor" (page 20-21)



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## 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 2018, 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 2018, 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.

## 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 9 to the financial statements, is an area requiring management judgement. In addition, major products of the Group are hot-rolled coil and steel pipes 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 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 2019

## Pacific Pipe Public Company Limited and its subsidiaries

### Statement of financial position

As at 31 December 2018

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	31 December 2018	31 December 2017	31 December 2018	31 December 2017
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	7	379,003,686	475,114,537	255,593,868	277,418,728
Trade and other receivables	8	1,025,854,950	918,555,805	674,221,484	752,134,603
Inventories	9	1,501,568,491	1,456,413,550	1,434,772,591	1,404,169,864
Advance for raw material		100,601,642	13,331,544	94,202,619	620,744
Other current financial assets		17,401,607	9,694,077	893,406	9,616,973
Other current assets		5,906,734	18,381,679	5,220,880	17,148,859
<b>Total current assets</b>		<b>3,030,337,110</b>	<b>2,891,491,192</b>	<b>2,464,904,848</b>	<b>2,461,109,771</b>
<b>Non-current assets</b>					
Investments in subsidiaries	10	-	-	110,996,100	110,996,100
Property, plant and equipment	11	1,852,585,920	1,925,620,282	1,805,243,707	1,870,378,697
Intangible assets	12	28,112,596	24,679,323	28,099,737	24,658,448
Deferred tax assets	18	3,076,810	1,905,525	-	-
Other non-current assets		645,384	848,650	63,550	370,573
<b>Total non-current assets</b>		<b>1,884,420,710</b>	<b>1,953,053,780</b>	<b>1,944,403,094</b>	<b>2,006,403,818</b>
<b>Total assets</b>		<b>4,914,757,820</b>	<b>4,844,544,972</b>	<b>4,409,307,942</b>	<b>4,467,513,589</b>

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 2018

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Liabilities and shareholders' equity					
Current liabilities					
Short-term loans from financial institutions	13	2,192,583,545	1,896,390,304	2,029,177,542	1,841,259,449
Trade and other payables	14	115,458,789	145,836,591	80,003,527	114,370,898
Income tax payable		5,055,501	46,667,310	-	37,041,072
Other current liabilities		32,945,399	19,634,952	16,214,569	10,766,288
Total current liabilities		2,346,043,234	2,108,529,157	2,125,395,638	2,003,437,707
Non-current liabilities					
Deferred tax liabilities	18	114,657,560	119,554,872	114,657,560	119,554,872
Provision for long-term employee benefits	15	31,050,269	33,168,569	28,494,376	26,052,905
Deferred rental		2,530,992	2,075,550	2,530,992	2,075,550
Total non-current liabilities		148,238,821	154,798,991	145,682,928	147,683,327
Total liabilities		2,494,282,055	2,263,328,148	2,271,078,566	2,151,121,034
Shareholders' equity					
Share capital					
Registered					
660,000,000 ordinary shares of Baht 1 each		660,000,000	660,000,000	660,000,000	660,000,000
Issued and fully paid up					
660,000,000 ordinary shares of Baht 1 each		660,000,000	660,000,000	660,000,000	660,000,000
Premium on ordinary shares		514,845,000	514,845,000	514,845,000	514,845,000
Premium on treasury shares		1,010,911	1,010,911	1,010,911	1,010,911
Retained earnings					
Appropriated - statutory reserve	16	67,000,000	67,000,000	67,000,000	67,000,000
Unappropriated		792,337,965	953,079,024	510,091,576	688,254,755
Other components of shareholders' equity		385,281,889	385,281,889	385,281,889	385,281,889
Total shareholders' equity		2,420,475,765	2,581,216,824	2,138,229,376	2,316,392,555
Total liabilities and shareholders' equity		4,914,757,820	4,844,544,972	4,409,307,942	4,467,513,589

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 2018

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2018	2017	2018	2017
Profit or loss:					
Revenues					
Sales and service income	6	9,694,615,605	8,034,296,934	8,904,280,896	7,695,491,668
Exchange gains		7,465,488	7,720,415	7,470,445	7,708,772
Dividend income	10	-	-	37,014,774	116,415,356
Other income		240,608,176	173,698,061	230,938,461	167,640,409
Total revenues		9,942,689,269	8,215,715,410	9,179,704,576	7,987,256,205
Expenses					
Cost of sales and services		9,279,390,706	7,365,094,654	8,576,224,805	7,108,384,881
Selling and distribution expenses		180,621,123	157,045,682	188,287,875	202,987,435
Administrative expenses		309,081,443	289,074,254	269,773,061	259,510,233
Total expenses		9,769,093,272	7,811,214,590	9,034,285,741	7,570,882,549
Profit before finance cost					
and income tax expenses		173,595,997	404,500,820	145,418,835	416,373,656
Finance cost		(55,047,872)	(40,936,159)	(51,398,586)	(39,675,763)
Profit before income tax expenses		118,548,125	363,564,661	94,020,249	376,697,893
Income tax expenses	18	(24,552,837)	(71,147,580)	(13,404,622)	(51,015,814)
Profit for the year		93,995,288	292,417,081	80,615,627	325,682,079
Other comprehensive income:					
Other comprehensive income not to be reclassified to profit or loss in subsequent periods					
Surplus on revaluation of assets	19	-	481,602,361	-	481,602,361
Actuarial gains (losses)	15	3,327,812	-	(1,731,795)	-
Less: Income tax effect	18	(665,563)	(96,320,472)	346,359	(96,320,472)
Other comprehensive income for the year		2,662,249	385,281,889	(1,385,436)	385,281,889
Total comprehensive income for the year		96,657,537	677,698,970	79,230,191	710,963,968
Basic earnings per share					
Profit for the year	20	0.14	0.44	0.12	0.49

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 2018

(Unit: Baht)

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities</b>				
Profit before tax	118,548,125	363,564,661	94,020,249	376,697,893
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	131,423,984	122,919,303	121,827,806	113,003,656
Bad debts	495,445	8,433,793	455,387	4,811,110
Allowance for doubtful accounts (reversal)	14,904,468	(8,138,568)	5,128,964	(4,450,982)
Reduction of inventory cost to net realisable value	18,083,214	4,353,649	17,442,522	4,353,649
Reversal of allowance for impairment of advance for raw material	-	(7,133,220)	-	(7,133,220)
Loss on write-off/disposals of plant and equipment	272,968	179,469	296,253	179,461
Provision for long-term employee benefits	3,413,812	3,181,870	2,770,676	2,574,375
Deferred rental	455,443	2,075,550	455,443	2,075,550
Unrealised gain on exchange	(16,142)	(1,793,559)	(16,142)	(1,789,505)
Dividend income	-	-	(37,014,774)	(116,415,356)
Interest income	(1,478,513)	(1,847,010)	(1,067,038)	(1,326,160)
Interest expenses	53,015,961	38,119,587	49,649,632	37,597,591
Profit from operating activities before changes in operating assets and liabilities	339,118,765	523,915,525	253,948,978	410,178,062
Operating assets (increase) decrease				
Trade and other receivables	(122,699,058)	(312,984,889)	72,328,768	(231,956,327)
Inventories	(63,238,155)	(311,726,526)	(48,045,249)	(288,228,587)
Advance for raw material	(87,270,098)	86,544,536	(93,581,875)	99,255,336
Other current assets	5,903,485	(17,947,184)	21,891,372	(18,037,898)
Operating liabilities increase (decrease)				
Trade and other payables	(35,549,586)	(50,542,045)	(39,309,616)	(75,273,141)
Other current liabilities	13,310,447	(2,737,420)	5,448,281	(8,829,906)
Provision for long-term employee benefits	(2,204,300)	-	(2,061,000)	-
Cash flows from (used in) operating activities	47,371,500	(85,478,003)	170,619,659	(112,892,461)
Cash paid for interest expenses	(53,221,815)	(36,096,152)	(50,076,525)	(35,574,156)
Cash paid for income tax	(73,829,135)	(53,084,549)	(55,926,976)	(36,743,987)
<b>Net cash flows from (used in) operating activities</b>	<b>(79,679,450)</b>	<b>(174,658,704)</b>	<b>64,616,158</b>	<b>(185,210,604)</b>

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 2018

(Unit: Baht)

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>Cash flows from investing activities</b>				
Acquisition of property, plant and equipment	(54,689,826)	(171,776,824)	(53,009,458)	(169,533,815)
Acquisition of intangible assets	(2,076,956)	(4,569,073)	(2,076,955)	(4,569,073)
Increase in investment in a subsidiary	-	-	-	(99,000,000)
Dividend income	-	-	37,014,774	116,415,356
Interest income	1,476,038	1,845,753	1,064,564	1,324,903
Proceeds from sales of equipment	48,556	-	25,192	-
<b>Net cash flows used in investing activities</b>	<u>(55,242,188)</u>	<u>(174,500,144)</u>	<u>(16,981,883)</u>	<u>(155,362,629)</u>
<b>Cash flows from financing activities</b>				
Increase in short-term loans from financial institutions	296,209,383	1,031,806,346	187,934,235	976,675,491
Dividend paid	<u>(257,398,596)</u>	<u>(653,464,644)</u>	<u>(257,393,370)</u>	<u>(653,400,000)</u>
<b>Net cash flows from (used in) financing activities</b>	<u>38,810,787</u>	<u>378,341,702</u>	<u>(69,459,135)</u>	<u>323,275,491</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>(96,110,851)</u>	<u>29,182,854</u>	<u>(21,824,860)</u>	<u>(17,297,742)</u>
Cash and cash equivalents at beginning of year	<u>475,114,537</u>	<u>445,931,683</u>	<u>277,418,728</u>	<u>294,716,470</u>
<b>Cash and cash equivalents at end of year</b>	<u>379,003,686</u>	<u>475,114,537</u>	<u>255,593,868</u>	<u>277,418,728</u>
	-	-	-	-
<b>Supplemental cash flows information:</b>				
Non-cash transaction				
Acquisition of building and equipment for				
which no cash has been paid	5,377,638	14,734,217	5,369,138	14,607,007

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 2018

	Consolidated financial statements							(Unit: Baht)
	Other components of equity							
	Other							
	comprehensive income						Total shareholders' equity	
Issued and fully paid-up share capital	Premium on ordinary shares	Premium on treasury shares	Retained earnings Appropriated - statutory reserve	Unappropriated	Surplus on revaluation of assets			
<b>Balance as at 1 January 2017</b>	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	
<b>Total comprehensive income for the year</b>	-	-	-	-	292,417,081	385,281,889	677,698,970	
Dividend paid (Note 23)	-	-	-	-	(653,464,644)	-	(653,464,644)	
<b>Balance as at 31 December 2017</b>	660,000,000	514,845,000	1,010,911	67,000,000	953,079,024	385,281,889	2,581,216,824	
<b>Balance as at 1 January 2018</b>	660,000,000	514,845,000	1,010,911	67,000,000	953,079,024	385,281,889	-	
Profit for the year	-	-	-	-	93,995,288	-	93,995,288	
Other comprehensive income for the year	-	-	-	-	2,662,249	-	2,662,249	
<b>Total comprehensive income for the year</b>	-	-	-	-	96,657,537	-	96,657,537	
Dividend paid (Note 23)	-	-	-	-	(257,398,596)	-	(257,398,596)	
<b>Balance as at 31 December 2018</b>	660,000,000	514,845,000	1,010,911	67,000,000	792,337,965	385,281,889	2,420,475,765	

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 (continued)**  
**For the year ended 31 December 2018**

	Separate financial statements							(Unit: Baht)
	Other components of equity							
	Retained earnings			Other comprehensive income		Total shareholders' equity		
Issued and fully paid-up share capital	Premium on ordinary shares	Premium on treasury shares	Appropriated - statutory reserve	Unappropriated	Surplus on revaluation of assets			
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	385,281,889	
Total comprehensive income for the year	-	-	-	-	325,682,079	385,281,889	710,963,968	
Dividend paid (Note 23)	-	-	-	-	(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	385,281,889	2,316,392,555	
Balance as at 1 January 2018	660,000,000	514,845,000	1,010,911	67,000,000	688,254,755	385,281,889	2,316,392,555	
Profit for the year	-	-	-	-	80,615,627	-	80,615,627	
Other comprehensive income for the year	-	-	-	-	(1,385,436)	-	(1,385,436)	
Total comprehensive income for the year	-	-	-	-	79,230,191	-	79,230,191	
Dividend paid (Note 23)	-	-	-	-	(257,393,370)	-	(257,393,370)	
Balance as at 31 December 2018	660,000,000	514,845,000	1,010,911	67,000,000	510,091,576	385,281,889	2,138,229,376	

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 2018

#### 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	
			2018 Percent	2017 Percent
Tamose Trading Company Limited	Distribution of steel products	Thailand	99.99	99.99
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 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 disclosure in the notes to financial statements. The adoption of these financial reporting standards does not have any significant impact on the Company and its subsidiaries' financial statements.

#### **(b) Financial reporting standards that will become effective for fiscal years beginning on or after 1 January 2019**

The Federation of Accounting Professions issued a number of revised and new financial reporting standards and interpretations (revised 2018), which are effective for fiscal years beginning on or after 1 January 2019. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards.

The management of the Company and its subsidiaries believe that most of the revised financial reporting standards will not have any significant impact on the financial statements when they are initially applied. However, the new standard involves changes to key principles, as summarised below.

## **TFRS 15 Revenue from Contracts with Customers**

TFRS 15 supersedes the following accounting standards together with related Interpretations.

TAS 11 (revised 2017)	Construction contracts
TAS 18 (revised 2017)	Revenue
TSIC 31 (revised 2017)	Revenue - Barter Transactions Involving Advertising Services
TFRIC 13 (revised 2017)	Customer Loyalty Programmes
TFRIC 15 (revised 2017)	Agreements for the Construction of Real Estate
TFRIC 18 (revised 2017)	Transfers of Assets from Customers

Entities are to apply this standard to all contracts with customers unless those contracts fall within the scope of other standards. The standard establishes a five-step model to account for revenue arising from contracts with customers, with revenue being recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model.

The management of the Company and its subsidiaries is currently evaluating the impact of this standard to the financial statements in the year when it is adopted.

### **(c) Financial reporting standards related to financial instruments that will become effective for fiscal years beginning on or after 1 January 2020**

During the current year, the Federation of Accounting Professions issued a set of TFRSs related to financial instruments, which consists of five accounting standards and interpretations, as follows:

Financial reporting standards:

TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments

Accounting standard:

TAS 32	Financial Instruments: Presentation
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Financial Reporting Standard Interpretations:

TFRIC 16	Hedges of a Net Investment in a Foreign Operation
TFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

These TFRSs related to financial instruments make stipulations relating to the classification of financial instruments and their measurement at fair value or amortised cost (taking into account the type of instrument, the characteristics of the contractual cash flows and the Company's business model), calculation of impairment using the expected credit loss method, and hedge accounting. These include stipulations regarding the presentation and disclosure of financial instruments. When the TFRSs related to financial instruments are effective, some accounting standards, interpretations and guidance which are currently effective will be cancelled.

The management of the Company and its subsidiaries is currently evaluating the impact of these standards to the financial statements in the year when they are adopted.

#### **4. Significant accounting policies**

##### **4.1 Revenue recognition**

###### *Sales of goods*

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

###### *Rendering of services*

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

###### *Interest income*

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

###### *Dividends*

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

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

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

##### **4.3 Trade accounts receivable**

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



#### 4.4 Inventories

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.

#### 4.5 Investments

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

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

Land is stated at 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.

#### **4.7 Borrowing costs**

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

#### **4.8 Intangible assets**

Intangible assets 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

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

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

They also include associated companies and individuals 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.

#### **4.10 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.

#### 4.11 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.

#### 4.12 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.

#### 4.13 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.

#### 4.14 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.

#### 4.15 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.

#### 4.16 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.

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

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

### **Allowance for doubtful accounts**

In determining an allowance for doubtful accounts, the management needs to make judgement and estimates based upon, among other things, past collection history and 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 11 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.

## 6. Related party transactions

During the years, the Company 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		
	financial statements		financial statements		Transfer Pricing Policy
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	
<u>Transactions with subsidiary companies</u>					
(eliminated from the consolidated financial statements)					
Sales of goods	-	-	1,729	3,622	Reference to market price
Purchase of goods	-	-	64	-	Reference to market price
Rental income	-	-	1	1	Contract price
Service income	-	-	1	1	Contract price
Commission paid	-	-	17	69	Contract price
Transportation expenses	-	-	135	112	Reference to market price
Dividend income	-	-	37	116	As declared
<u>Transactions with related parties</u>					
Office rental and service expenses	4	4	2	-	Contract price
Land rental	5	5	5	5	Contract price

The balances of the accounts as at 31 December 2018 and 2017 between the Company and those related parties are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b><u>Trade receivables - related party (Note 8)</u></b>				
Tamose Trading Company Limited	-	-	185,345	289,335
<b>Total trade receivables - related party</b>	<b>-</b>	<b>-</b>	<b>185,345</b>	<b>289,335</b>
<b><u>Other receivables - related party (Note 8)</u></b>				
Tamose Trading Company Limited	-	-	1,430	4,506
<b>Total other receivables - related party</b>	<b>-</b>	<b>-</b>	<b>1,430</b>	<b>4,506</b>
<b><u>Trade payables - related party (Note 14)</u></b>				
Tamose Trading Company Limited	-	-	2,248	-
<b>Total trade payables - related party</b>	<b>-</b>	<b>-</b>	<b>2,248</b>	<b>-</b>
<b><u>Other payables - related parties (Note 14)</u></b>				
Tamose Trading Company Limited	-	-	2,609	9,317
Meesup Transport Company Limited	-	-	3,688	3,595
<b>Total other payables - related parties</b>	<b>-</b>	<b>-</b>	<b>6,297</b>	<b>12,912</b>

#### Directors and management's benefits

During the years ended 31 December 2018 and 2017, the Company had employee benefit expenses payable to its directors and management as below.

	(Unit: Thousand Baht)	
	Consolidated / Separate	
	financial statements	
	<u>2018</u>	<u>2017</u>
Short-term employee benefits	33,841	42,866
Post-employment benefits	1,090	1,037
<b>Total</b>	<b>34,931</b>	<b>43,903</b>

#### Guarantee obligations with related party

The Company has outstanding guarantee obligations with its related party, as described in Note 24.3 to the financial statements.



## 7. Cash and cash equivalents

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Cash	293	337	165	165
Bank deposits	378,711	474,778	255,429	277,254
Total	<u>379,004</u>	<u>475,115</u>	<u>255,594</u>	<u>277,419</u>

As at 31 December 2018, bank deposits in saving accounts carried interests at the rate of 0.38 - 1.30 percent per annum (2017: 0.38 percent per annum).

## 8. Trade and other receivables

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<u>Trade receivables - related party</u>				
Aged on the basis of due dates				
Not yet due	-	-	155,706	212,039
Past due				
Up to 3 months	-	-	29,472	77,296
3 - 6 months	-	-	155	-
6 - 12 months	-	-	12	-
Total trade receivables - related party (Note 6)	<u>-</u>	<u>-</u>	<u>185,345</u>	<u>289,335</u>
<u>Trade receivables - unrelated parties</u>				
Aged on the basis of due dates				
Not yet due	723,986	682,145	362,917	333,596
Past due				
Up to 3 months	263,226	225,399	113,437	117,952
3 - 6 months	20,783	9,368	1,780	5,038
6 - 12 months	29,231	2,040	13,785	1,939
Over 12 months	11,732	7,803	6,443	5,556
Total	<u>1,048,958</u>	<u>926,755</u>	<u>498,362</u>	<u>464,081</u>
Less: Allowance for doubtful debts	<u>(23,103)</u>	<u>(8,199)</u>	<u>(10,916)</u>	<u>(5,787)</u>
Total trade receivables - unrelated parties, net	<u>1,025,855</u>	<u>918,556</u>	<u>487,446</u>	<u>458,294</u>
Total trade receivables - net	<u>1,025,855</u>	<u>918,556</u>	<u>672,791</u>	<u>747,629</u>
<u>Other receivables</u>				
Other receivables - related party (Note 6)	-	-	1,430	4,506
Total other receivables	<u>-</u>	<u>-</u>	<u>1,430</u>	<u>4,506</u>
Total trade and other receivables - net	<u>1,025,855</u>	<u>918,556</u>	<u>674,221</u>	<u>752,135</u>

## 9. Inventories

(Unit: Thousand Baht)

Consolidated financial statements					
	Cost		Reduce cost to net realisable value		Inventories - net
	2018	2017	2018	2017	2018 2017
Finished goods	922,726	821,507	(25,422)	(6,730)	897,304 814,777
Conversion raw materials	157,443	114,415	-	-	157,443 114,415
Raw materials	419,698	505,054	(1,844)	(2,453)	417,854 502,601
Factory supplies and others	28,967	24,621	-	-	28,967 24,621
Total	1,528,834	1,465,597	(27,266)	(9,183)	1,501,568 1,456,414

(Unit: Thousand Baht)

Separate financial statements					
	Cost		Reduce cost to net realisable value		Inventories - net
	2018	2017	2018	2017	2018 2017
Finished goods	858,938	769,263	(24,887)	(6,730)	834,051 762,533
Conversion raw materials	157,443	114,415	-	-	157,443 114,415
Raw materials	416,050	505,054	(1,738)	(2,453)	414,312 502,601
Factory supplies and others	28,967	24,621	-	-	28,967 24,621
Total	1,461,398	1,413,353	(26,625)	(9,183)	1,434,773 1,404,170

During the current year, the Company and its subsidiary reduced cost of inventories by Baht 18.1 million (2017: Baht 4.4 million) (The Company only; 2018: Baht 17.4 million, 2017: Baht 4.4 million), to reflect the net realisable value. This was include in cost of sales.

## 10. 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	
	2018	2017	2018	2017	2018	2017	2018	2017
			(%)	(%)				
Tamose Trading Company Limited	100,000	100,000	99.99	99.99	99,999	99,999	20,000	98,940
Meesup Transport Company Limited	9,200	9,200	99.97	99.97	10,997	10,997	17,015	17,475
Total					110,996	110,996	37,015	116,415

## 11. Property, plant and equipment

(Unit: Thousand Baht)

### Consolidated financial statements

	Revaluation							Total
	basis	Cost basis						
			Buildings	Machinery			Assets	
		Land	Land and building	and factory	Office	Motor	under	
	improvement	improvement	equipment	equipment	vehicles	construction		
Cost / Revalued amount:								
1 January 2017	252,260	11,790	772,423	1,374,648	84,840	176,453	45,205	2,717,619
Additions	7,600	-	-	5,369	4,660	555	168,327	186,511
Revaluation	481,602	-	-	-	-	-	-	481,602
Transfers in (out)	-	2,892	2,589	117,350	1,400	2,552	(126,783)	-
Disposals/Write-off	-	-	-	(648)	(457)	(28)	-	(1,133)
31 December 2017	741,462	14,682	775,012	1,496,719	90,443	179,532	86,749	3,384,599
Additions	-	-	-	3,772	3,214	42	53,039	60,067
Transfers in (out)	-	-	8,797	90,933	123	-	(99,853)	-
Transfers to intangible assets	-	-	-	-	-	-	(7,527)	(7,527)
Disposals/Write-off	-	-	(312)	(856)	(1,975)	-	-	(3,143)
31 December 2018	741,462	14,682	783,497	1,590,568	91,805	179,574	32,408	3,433,996
Accumulated depreciation:								
1 January 2017	-	3,427	349,192	824,424	73,138	91,991	-	1,342,172
Depreciation for the year	-	781	37,114	62,041	6,631	11,194	-	117,761
Depreciation on disposals/ write-off	-	-	-	(503)	(447)	(4)	-	(954)
31 December 2017	-	4,208	386,306	885,962	79,322	103,181	-	1,458,979
Depreciation for the year	-	956	37,572	70,051	5,954	10,719	-	125,252
Depreciation on disposals/ write-off	-	-	(46)	(801)	(1,974)	-	-	(2,821)
31 December 2018	-	5,164	423,832	955,212	83,302	113,900	-	1,581,410
Net book value:								
31 December 2017	741,462	10,474	388,706	610,757	11,121	76,351	86,749	1,925,620
31 December 2018	741,462	9,518	359,665	635,356	8,503	65,674	32,408	1,852,586
Depreciation for the year								
2017 (Baht 89.33 million included in manufacturing cost, and the balance in selling and distribution and administrative expenses)								117,761
2018 (Baht 97.69 million included in manufacturing cost, and the balance in selling and distribution and administrative expenses)								125,253

(Unit: Thousand Baht)

## Separate financial statements

	Revaluation							
	basis	Cost basis						
				Buildings	Machinery		Assets	
		Land	Land	and building	and factory	Office	Motor	under
	Land	improvement	improvement	equipment	equipment	vehicles	construction	Total
<b>Cost / Revalued amount:</b>								
1 January 2017	252,260	11,790	770,222	1,374,648	73,729	45,794	45,206	2,573,649
Additions	7,600	-	-	5,369	3,746	21	167,404	184,140
Revaluation	481,602	-	-	-	-	-	-	481,602
Transfers in (out)	-	2,892	2,589	117,350	478	2,552	(125,861)	-
Disposals/Write-off	-	-	-	(648)	(382)	(28)	-	(1,058)
31 December 2017	741,462	14,682	772,811	1,496,719	77,571	48,339	86,749	3,238,333
Additions	-	-	-	3,772	2,600	42	51,964	58,378
Transfers in (out)	-	-	7,722	90,933	123	-	(98,778)	-
Transfers to intangible assets	-	-	-	-	-	-	(7,527)	(7,527)
Disposals/Write-off	-	-	(312)	(856)	(1,358)	-	-	(2,526)
31 December 2018	741,462	14,682	780,221	1,590,568	78,936	48,381	32,408	3,286,658
<b>Accumulated depreciation:</b>								
1 January 2017	-	3,427	348,745	824,424	62,840	21,543	-	1,260,979
Depreciation for the year	-	781	37,004	62,041	6,132	1,896	-	107,854
Depreciation on disposals/ write-off	-	-	-	(503)	(372)	(4)	-	(879)
31 December 2017	-	4,208	385,749	885,962	68,600	23,435	-	1,367,954
Depreciation for the year	-	956	37,438	70,051	5,196	2,024	-	115,665
Depreciation on disposals/ write-off	-	-	(46)	(801)	(1,358)	-	-	(2,205)
31 December 2018	-	5,164	423,141	955,212	72,438	25,459	-	1,481,414
<b>Net book value:</b>								
31 December 2017	741,462	10,474	387,062	610,757	8,971	24,904	86,749	1,870,379
31 December 2018	741,462	9,518	357,080	635,356	6,498	22,922	32,408	1,805,244
<b>Depreciation for the year</b>								
2017 (Baht 89.33 million included in manufacturing cost, and the balance in selling and distribution and administrative expenses)								107,854
2018 (Baht 97.69 million included in manufacturing cost, and the balance in selling and distribution and administrative expenses)								115,665

As at 31 December 2018, 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 895 million (2017: Baht 500 million) (The Company only; 2018: Baht 845 million, 2017: Baht 460 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)	
	<u>2018</u>	<u>2017</u>
Original cost	259,860	259,860
Surplus from revaluation	481,602	481,602
Revalued amount	<u>741,462</u>	<u>741,462</u>

## 12. Intangible assets

The net book value of intangible assets as at 31 December 2018 and 2017 is presented below.

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Computer software - at cost	69,805	60,201	69,398	59,794
Less: Accumulated amortisation	(41,692)	(35,522)	(41,298)	(35,136)
Net book value	<u>28,113</u>	<u>24,679</u>	<u>28,100</u>	<u>24,658</u>

A reconciliation of the net book value of intangible assets for the years 2018 and 2017 is presented below.

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Net book value at beginning of year	24,679	25,269	24,658	25,238
Acquisition of computer software	2,077	4,569	2,077	4,569
Transfer from property, plant and equipment	7,527	-	7,527	-
Amortisation	(6,170)	(5,159)	(6,162)	(5,149)
Net book value at end of year	<u>28,113</u>	<u>24,679</u>	<u>28,100</u>	<u>24,658</u>

### 13. Short-term loans from financial institutions

	(Unit: Thousand Baht)					
	Interest rate		Consolidated		Separate	
	(Percent per annum)		financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Short-term loans from						
financial institutions	2.24 - 2.49	2.17 - 2.50	2,188,644	1,722,504	2,025,238	1,667,373
Trust receipt	3.47 - 3.95	2.65 - 3.10	3,940	173,886	3,940	173,886
			<u>2,192,584</u>	<u>1,896,390</u>	<u>2,029,178</u>	<u>1,841,259</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 2018, the credit facilities of the Company and its subsidiaries which have not yet been drawn down amounted to Baht 3,982 million (2017: Baht 4,277 million).

## 14. Trade and other payables

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Trade payables - unrelated parties	41,687	38,066	6,393	11,034
Trade payables - related party (Note 6)	-	-	2,248	-
Other payables - related parties (Note 6)	-	-	6,297	12,912
Other payables - unrelated parties	41,971	49,138	40,059	45,830
Accrued expenses	31,801	58,633	25,007	44,595
Total trade and other payables	<u>115,459</u>	<u>145,837</u>	<u>80,004</u>	<u>114,371</u>

## 15. 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		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>Provision for long-term employee benefits at beginning of year</b>	33,169	29,987	26,053	23,479
Included in profit or loss:				
Current service cost	2,397	2,252	1,972	1,846
Interest cost	1,015	930	799	728
Included in other comprehensive income:				
Actuarial (gains) losses arising from				
Demographic assumptions changes	(4,727)	-	(4,406)	-
Financial assumption changes	2,611	-	2,558	-
Experience adjustments	(1,211)	-	3,579	-
Benefits paid during the year	<u>(2,204)</u>	<u>-</u>	<u>(2,061)</u>	<u>-</u>
<b>Provision for long-term employee benefits at end of year</b>	<u>31,050</u>	<u>33,169</u>	<u>28,494</u>	<u>26,053</u>



The Company and its subsidiaries expect to pay Baht 8.5 million of long-term employee benefits during the next year (The Company only: Baht 8.5 million) (2017: Baht 2.6 million, The Company only: Baht 2.6 million).

As at 31 December 2018, the weighted average duration of the liabilities for long-term employee benefit is 12 - 17 years (The Company only: 12 years) (2017: 16 years, The Company only: 16 years).

Significant actuarial assumptions are summarised below:

	Consolidated financial statements		Separate financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	(% per annum)	(% per annum)	(% per annum)	(% per annum)
Discount rate	2.80 - 3.17	3.1	2.8	3.1
Future salary increase rate	4 - 5	3 - 9	5	3 - 9
Staff turnover rate (depending on age)	2.84 - 45.84	0 - 40	3.82 - 45.84	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 2018 and 2017 are summarised below:

(Unit: Million Baht)

	As at 31 December 2018			
	Consolidated financial statements		Separate financial statements	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
Discount rate	(2.3)	2.7	(2.0)	2.3
Salary increase rate	2.5	(2.1)	2.2	(1.9)
	Increase 20%	Decrease 20%	Increase 20%	Decrease 20%
Staff turnover rate	(2.7)	3.4	(2.4)	3.0

(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)
	Increase 20%	Decrease 20%	Increase 20%	Decrease 20%
Staff turnover rate	(2.1)	2.6	(1.6)	2.1

On 13 December 2018, The National Legislative Assembly passed a resolution approving the draft of a new Labour Protection Act, which is in the process being published in the Royal Gazette. The new Labour Protection Act stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more. Such employees are entitled to receive compensation at a rate of not less than that of the last 400 days. This change is considered a post-employment benefits plan amendment and the Company and its subsidiaries have additional liabilities for long-term employee benefits of Baht 9.2 million (The Company only: Baht 8.6 million). The Company and its subsidiaries will reflect the effect of the change by recognising past services costs as expenses in profit and loss of the period in which the law is effective.

## 16. 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.

## 17. Expenses by nature

Significant expenses classified by nature are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Salaries and wages and other employee benefits	387,964	378,286	308,799	296,360
Depreciation and amortisation expenses	131,424	122,919	121,828	113,004
Transportation expenses	49,982	37,310	139,006	127,464
Commission expenses	3,396	2,224	19,799	68,920
Raw materials and consumables used	8,357,885	6,880,581	8,276,478	6,880,581
Changes in inventories of finished goods	(101,219)	(128,976)	(89,675)	(105,478)

## 18. Income tax

Income tax expenses for the years ended 31 December 2018 and 2017 are made up as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>Current income tax:</b>				
Current income tax charge	28,650	69,330	15,363	49,793
Adjustment in respect of income tax of previous year	2,637	(1,024)	2,593	(1,003)
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	(6,734)	2,842	(4,551)	2,226
<b>Income tax expenses reported in the statement of comprehensive income</b>	<u>24,553</u>	<u>71,148</u>	<u>13,405</u>	<u>51,016</u>

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2018 and 2017 are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Deferred tax on gain from revaluation of land	-	(96,320)	-	(96,320)
Deferred tax on actuarial (gains) losses	(666)	-	346	-
	<u>(666)</u>	<u>(96,320)</u>	<u>346</u>	<u>(96,320)</u>

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

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Accounting profit before tax	118,548	363,565	94,020	376,698
Applicable tax rate	20%	20%	20%	20%
Accounting profit before tax multiplied by income tax rate	23,710	72,713	18,804	75,340
Adjustment in respect of income tax of previous year	2,637	(1,024)	2,593	(1,003)
Effects of:				
Non-deductible expenses	579	3,969	534	3,150
Additional expense deductions allowed	(2,314)	(4,487)	(1,123)	(3,188)
Dividend income from subsidiaries	-	-	(7,403)	(23,283)
Others	(59)	(23)	-	-
Total	(1,794)	(541)	(7,992)	(23,321)
Income tax expenses reported in the statement of comprehensive income	24,553	71,148	13,405	51,016

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
	2018	2017	2018	2017
<b>Deferred tax assets</b>				
Land rental	507	415	507	415
Allowance for doubtful accounts	4,621	1,640	2,183	1,157
Allowance for diminution in value of inventories	5,453	1,837	5,325	1,837
Allowance for impairment of advance for raw material	355	355	355	355
Provision for long-term employee benefits	6,210	6,634	5,699	5,211
Total	17,146	10,881	14,069	8,975

(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
	2018	2017	2018	2017
<b>Deferred tax liabilities</b>				
Difference depreciation between tax and accounting base	32,407	32,210	32,407	32,210
Gain on revaluation of land	96,320	96,320	96,320	96,320
Total	128,727	128,530	128,727	128,530
<b>Presentation in the statements of financial position</b>				
Deferred tax assets	3,077	1,906	-	-
Deferred tax liabilities	(114,658)	(119,555)	(114,658)	(119,555)
Total	(111,581)	(117,649)	(114,658)	(119,555)

## 19. 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.

## 20. 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.

## 21. 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 2018 and 2017, the Company and its subsidiaries have no major customer with revenue of 10 percent or more of an entity's revenues.

## 22. 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 2018 amounting to approximately Baht 5.4 million were recognised as expense (2017: Baht 5.6 million).

## 23. 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
Final dividends for 2017	Annual General Meeting of the shareholders on 27 April 2018	257.4	0.39
Total for 2018		257.4	0.39

## 24. Commitments and contingent liabilities

### 24.1 Letters of credit

As at 31 December 2018, the Company had commitments under letters of credit with overseas suppliers amounting to approximately USD 0.7 million (2017: USD 0.1 million).

### 24.2 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	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Payable:				
In up to 1 year	9.5	9.4	1.7	3.4
In over 1 and up to 5 years	22.5	24.4	1.4	1.7
In over 5 year	20.4	26.2	-	-

(Unit: Million Baht)				
Separate financial statements				
	Related parties		Unrelated parties	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Payable:				
In up to 1 year	9.4	5.1	-	2.3
In over 1 and up to 5 years	22.5	21.9	-	-
In over 5 year	20.4	26.0	-	-

### 24.3 Guarantees

- (1) As at 31 December 2018, there were outstanding bank guarantees of approximately Baht 16 million (2017: Baht 16 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)		
	<u>2018</u>	<u>2017</u>
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 2018, the Company guarantees credit card facility of its subsidiary company amounting to Baht 1 million (2017: Baht 1 million).
- (3) As at 31 December 2018, the Company guarantees bank credit facility of its subsidiary company amounting to Baht 6 million (2017: Baht 6 million).



## 25. Financial instruments

### 25.1 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)

As at 31 December 2018

	Fixed				
	interest rates	Floating	Non- interest		Effective
Consolidated financial statements	within 1 year	interest rate	bearing	Total	interest rate
					(% per annum)
<u>Financial assets</u>					
Cash and cash equivalent	-	379	-	379	0.38 - 1.30
Trade and other receivables	-	-	1,026	1,026	-
Other current financial assets	-	-	17	17	-
	-	379	1,043	1,422	
<u>Financial liabilities</u>					
Short-term loans from financial					
institutions	2,193	-	-	2,193	2.24 - 3.95
Trade and other payables	-	-	115	115	-
	2,193	-	115	2,308	

(Unit: Million Baht)

As at 31 December 2017

Consolidated financial statements	Fixed	Floating	Non- interest	Total	Effective
	interest rates within 1 year	interest rate	bearing		interest rate (% per annum)
<u>Financial assets</u>					
Cash and cash equivalent	-	475	-	475	0.38
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)

As at 31 December 2018

Separate financial statements	Fixed	Floating	Non- interest	Total	Effective
	interest rates within 1 year	interest rate	bearing		interest rate (% per annum)
<u>Financial assets</u>					
Cash and cash equivalent	-	256	-	256	0.38 - 1.30
Trade and other receivables	-	-	674	674	-
Other current financial assets	-	-	1	1	-
	-	256	675	931	
<u>Financial liabilities</u>					
Short-term loans from financial					
institutions	2,029	-	-	2,029	2.24 - 3.95
Trade and other payables	-	-	80	80	-
	2,029	-	80	2,109	

(Unit: Million Baht)

As at 31 December 2017

Separate financial statements	Fixed	Floating	Non- interest	Total	Effective
	interest rates within 1 year	interest rate	bearing		interest rate  (% per annum)
<u>Financial assets</u>					
Cash and cash equivalent	-	277	-	277	0.38
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	

## Foreign currency risk

The Company and its subsidiaries' exposure to foreign currency risk arise mainly from purchasing 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:

Foreign currency	Financial assets		Financial liabilities		Average exchange rate	
	as at 31 December		as at 31 December		as at 31 December	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	(Million)	(Million)	(Million)	(Million)	(Baht per 1 foreign currency unit)	
US dollar	-	0.26	0.12	3.69	32.3640	32.5987
Euro	-	-	-	1.38	36.9694	38.8704

## 25.2 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.

## 26. 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 2018, the Group's debt-to-equity ratio was 1.03:1 (2017: 0.88:1) and the Company's was 1.06:1 (2017: 0.93:1).

## 27. Events after the reporting period

On 22 February 2019, the Company's Board of Directors meeting approved for payment of a dividend to the shareholders of Baht 0.05 per share, or a total of Baht 33 million.

However, this resolution will be further proposed for the shareholders' approval in the Annual General Meeting of the shareholders for the fiscal year 2019.

## 28. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 22 February 2019.





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