

# ANNUAL REPORT 2019

ANNUAL REPORT 2019 | Pacific Pipe PLC.

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PACIFIC PIPE PLC.  
บมจ. แปซิฟิคไพพ์





**“  
HONESTY, TRANSPARENCY AND ADHERENCE  
TO CORPORATE GOVERNANCE PRINCIPLES  
ARE THE KEYS OF GOOD MANAGEMENT.”**





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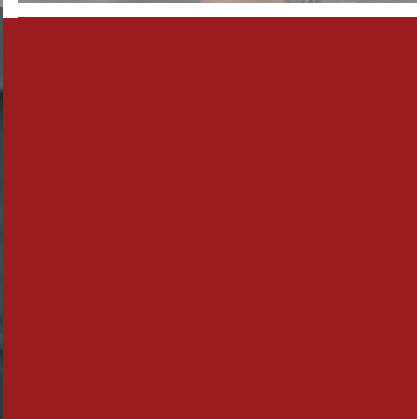
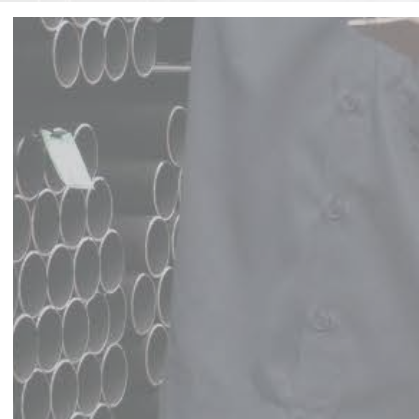
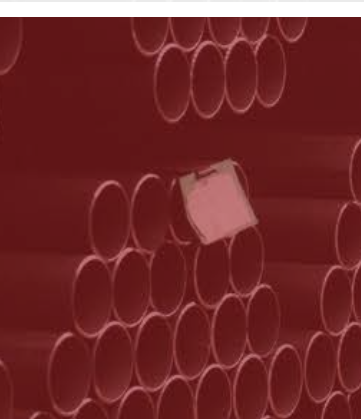
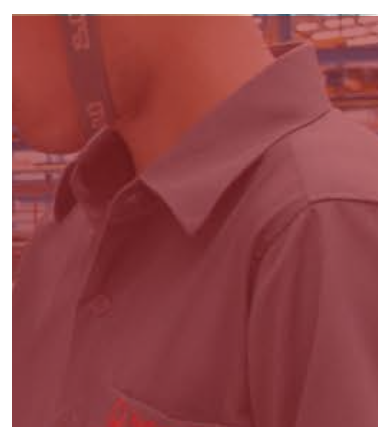
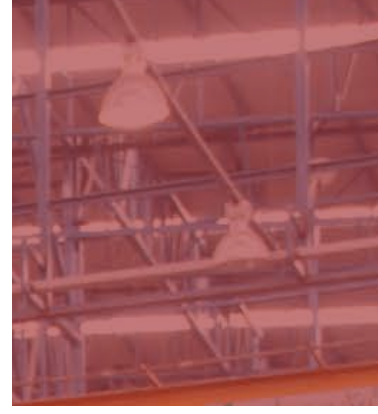
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**YOUR PARTNER  
FOR  
TOTAL SOLUTIONS**

VALUE :

# CHANGE



**Customer  
Experiences**



**Honesty  
& Integrity**



**Accountability  
& Reliability**



**Networking  
& Collaboration**



**Growth  
& Development**



**Excellence  
with Passion**



**INFRASTRUCTURE**  
ງານໂຄງສ້າງພື້ນຖານ



**GENERAL  
CONSTRUCTION**  
ງານໂຄງສ້າງທົ່ວໄປ



**ELECTRICAL  
CONDUIT**  
ງານຮ່ວຍສາຍໄຟ

**FIRE  
& IRRIGA**  
ງານລະບົບດັບພະຍາ







**PROTECTION  
SYSTEM**  
งานลิฟและชลประทาน



**SCULPTURE  
BUILDING**  
งานก่อสร้างอาคาร  
ประติมากรรม



**MANUFACTURING  
INDUSTRY**  
งานชิ้นส่วนอุตสาหกรรม







## MESSAGE FROM THE CHAIRMAN

**Mr. Somchai Lekapojpanich**  
Chairman

Overall, in 2019, the world economy decelerated in accordance with the world trade situation, which was affected by the U.S.-China trade war that created some constraints worldwide and uncertain situations in various aspects; such as, the fluctuation of the exchange rate, risk from political stability in the European Union countries and disputes between the U.S. and Iran at the end of the year. For the world's steel industry, a way still needs to be found to deal with the measures to prevent the U.S. steel imports and the production surplus. Thailand's economy in 2019 also declined in many sectors, especially in the production and real estate sectors.

In general, for Thailand's steel industry in 2019, the demand for the use of steel remained stable and expanded slightly due to some of the private sector postponed their investment in the first half of the year. They waited for the result of the establishment of a new government. At the same time, housing construction decreased due to the measures of the loan-to-value (LTV) ratio, but this was still stimulated by the infrastructure and real estate projects in potential areas; such as, the Eastern Economic Corridor (EEC) and along the rail routes in Bangkok and the surrounding area. Although domestic steel consumption has increased, the steel business still did not generate much benefits because of the surplus that severely affected the price. For these reasons, the Company's operations for the year 2019, experienced a decrease in the sales volume (ton) by 0.90% from the previous year, and the Company's total revenue decreased by 6.09%. Thus, there was total revenue of 9,337 million Baht and net profit of 71.5 million Baht, or a decrease of 23.91% from the previous year.

Moreover, PAP's business operations continued to give importance and encouraged all employees to perform their duties with ethics and responsibility by adhering to the principles of good corporate governance and the business code of conduct for all stakeholders. In 2019, the Company acquired an "Excellent" level (  ) in the Corporate Governance Report (CGR) of the Thai Listed Companies 2019 from the Thai Institute of Directors (IOD). Moreover, PAP was certified as a member of Thailand's Private Sector Collective Action Coalition Against Corruption (CAC) in combating corruption.

Lastly, the Company's Board of Directors would like to offer its gratitude to the shareholders, trade partners, and all those related parties who provided support to the Company's operations, and all employees for their consistent dedication to the duty and being a part of the Company's success. Be rest assured that the Company will continue to proceed thoroughly and adhere to the principles of good corporate governance for the utmost advantage for all.



**Somchai Lekapojpanich**  
Chairman



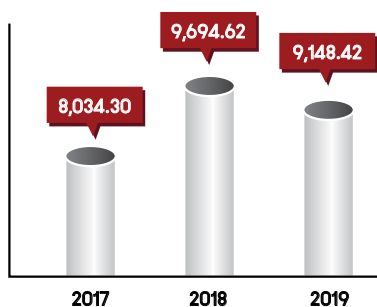
## IMPORTANT FINANCIAL HIGHLIGHTS

(Unit : Million Baht)

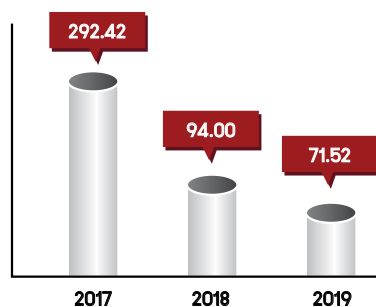
	2017	2018	2019
<b>Financial Status</b>			
Sales and Service Income	8,034.30	9,694.62	9,148.42
Total Revenue	8,215.72	9,942.69	9,336.94
Operating Profit	404.51	173.60	147.29
Net Profit (Loss)	292.42	94.00	71.52
Total Assets	4,844.55	4,914.76	4,390.37
Total Liabilities	2,263.33	2,494.28	1,931.42
Shareholders' Equity	2,581.22	2,420.48	2,458.94
<b>Financial Ratio</b>			
Net Profit on the Total Revenue (%)	3.56	0.95	0.77
Return on Equity (%)	11.33	3.88	2.91
Return on the Total Assets (%)	6.04	1.91	1.63
Total Debt to Equity (Times)	0.88	1.03	0.79
Earnings Per Share (Baht/Share)	0.49	0.12	0.52
Dividend Payout of the Net Profit (%)	80.02	41.67	51.92
Book Value Per Share (Baht/Share)	3.91	3.67	3.73
Number of Shares (Million Shares)	660.00	660.00	660.00

**Remark :** The Earnings Per Share (Baht/share) and Dividend Payout of the Net Profit (%) were calculated from the Company's Financial Statement only.

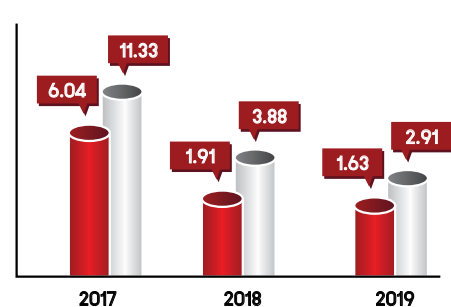
### Sales and Service Income



### Net Profit (Loss)



### Financial Ratio



ROA ROE

## GENERAL INFORMATION

### Pacific Pipe Public Company Limited



<b>Abbreviation</b>	: PAP
<b>Type of Operation</b>	: Manufacturing and selling steel pipes.
<b>Phra Pradaeng Plant Location</b>	: 298, 298/2 Mu 1, Suk Sawat Road, Pak Khlong Bang Pla Kot, Phra Samut Chedi, Samut Prakan 10290
<b>Mahachai Plant Location (1)</b>	: 1/112 Samut Sakhon Industrial Park, Mu 2, Rama II Road, Tambon Tha Sai, Amphoe Mueang, Samut Sakhon 74000
<b>Mahachai Plant Location (2)</b>	: 1/97 Samut Sakhon Industrial Park, Mu 2, Rama II Road, Tambon Tha Sai, Amphoe Mueang, Samut Sakhon 74000
<b>Mahachai Plant Location (3)</b>	: 24/31 Mu 2, Tambon Tha Sai, Amphoe Mueang, Samut Sakhon 74000
<b>Distribution Centre Location (1)</b>	: 158 Mu 6, Tambon Bang Bo, Amphoe Bang Bo, Samut Prakan 10560
<b>Distribution Centre Location (2)</b>	: 50/6 Mu 2, Tambon Na Mai, Amphoe Lat Lum Kaeo, Patum Thani 12140
<b>Office Location</b>	: 1168/74, 26 <sup>th</sup> Floor, Lumpini Tower, Rama IV Road, Khwaeng Thung Maha Mek, Khet Sathon, Bangkok 10120
<b>Company Registration Number</b>	: Bo Mo Cho. 0107547000206
<b>Telephone (office)</b>	: (66 2) 679 9000
<b>Facsimile (office)</b>	: (66 2) 679 9074
<b>Website</b>	: <a href="http://www.pacificpipe.co.th">www.pacificpipe.co.th</a>
<b>Registered Capital</b>	: 660,000,000 Baht
<b>Paid up Capital</b>	: 660,000,000 Baht
<b>Type of Securities</b>	: Common shares
<b>No. of Common Shares</b>	: 660,000,000 shares
<b>Par Value</b>	: 1 Baht per share





## COMPANY'S HISTORY

1972



Pacific Pipe Public Company Limited was established by the Lekapojpanich Family under the name Tang Mong Seng Factory, which initially produced and sold toy cars. The Company expanded the business into the production of pipe furniture and various types of pipes in 1981.

1991



As a result of the steel pipe sector proving considerably successful and growing extensively, the Lekapojpanich Family therefore decided to establish the Pacific Pipe Company Limited on September 19, 1991. The Company's objective was to be a manufacturer and distributor of steel pipes.

2003



To restructure the Company, some of the Lekapojpanich Family members jointly established Tang Mong Seng Holding Company Limited that had the objective of operating a holding company by acquiring some shares in the company instead of directly holding shares. Furthermore, the Company purchased shares of Tamose Trading Company Limited (Tamose) from the Lekapojpanich Family by holding 99.94% of the total paid up shares of Tamose. This was conducted to oversee both the domestic and international sales and marketing functions of the Company.

2004



On March 17, 2004, the Company registered and converted to be the Pacific Pipe Public Company Limited with a registered capital of 660 million Baht and issued 16 million common shares with the par value of 10 Baht per share. The Company conducted an Initial Public Offering (IPO) of 15.3 million shares at the offering price of 45 Baht per share and issued warrants to purchase common shares to seven Company directors with a total of 700,000 units.

**The Company listed the securities on the Stock Exchange of Thailand on November 8, 2004.**

2006



On April 7, 2006, the Company purchased 99.97% of the total shares of Meesap Transport Company Limited to oversee the logistics function for the Company to support its growth.

The Annual General Meeting of the Shareholders of 2006 passed a resolution allowing the Company to change the par value of the common shares from 10 Baht to 5 Baht. This resulted in an increase in the number of the Company's common shares from 66 million shares to 132 million shares.

Launched the operation of the large steel pipe mill at the Samut Sakhon Industrial Park. This plant had a total production capacity of 100,000 tons per year, which enabled the Company to enlarge the maximum size of the steel pipes from 8 inches to 16 inches.

2007



Launched the operations of the distribution centre at Lat Lum Kaeo.

2008



On July 30, 2008, the Extraordinary General Meeting of the Shareholders No. 1/2008 passed the resolution allowing the Company to change the par value of the common shares from 5 Baht to 1 Baht. This resulted in an increase in the number of the Company's common shares from 132 million shares to 660 million shares effective from August 13, 2008.

On November 14, 2008, the Board of Directors Meeting No. 11/2008 passed the resolution regarding the Treasury Stock Programme for Financial Management in the amount not exceeding 21 million Baht. The number of repurchased shares equalled 3.18% of the Company's total shares sold.

2009

On December 9, 2009, the Extraordinary General Meeting of the Shareholders No. 1/2009 approved the resolution allowing the Company to purchase land in the Samut Sakhon Industrial Park instead of renting.

2010

On March 8, 2010, the Company completed the Treasury Stock Programme for Financial Management. There was a total of 1,450,700 shares, which were repurchased at the average price of 0.93 Baht per share and redeemed at the average price of 1.63 Baht per share.

2014

The Mahachai Plant Location (3) was launched with a production capacity of 150,000 tons per year. This enabled the Company to have greater efficiency in producing more products with a rapid turnover. In the same year, the Company's testing and/or calibration laboratory received the ISO/IEC 17025 accreditation from the Thai Industrial Standards Institute (TISI), Ministry of Industry. This guaranteed that the Company's quality system operations in testing and/or calibration activities complied with the ISO 9000 standard serial number, proof that the Company's product quality testing laboratory was accurate and reliable.

2015

The Company received the ISO 14001 Environment Management Systems Use from TUV NORD (Thailand) Limited, which guaranteed that the Company had systematic environmental management. The Company's products received the FM Approvals Class: 1603 – Steel Pipe for Automatic Fire Sprinkler Systems standard certification from FM Global, United States of America, which is one of the largest commercial, industrial insurance and risk management standards. Such standard certified product would be marked with the symbol «FM», which would be an alternative for a standardized steel pipe for fire extinguishing systems.

2017

The Company received the trade name **FiGuard-40** for the ASTM A53 Sch 40 and **FiGuard-10** ASTM A795 Sch 10 products. Both products received FM certification and could be used as a water pipe in fire extinguishing systems. This created brand value and differentiated the products from others in the market.

2018

The Company's product is **FiGuard-10**, which received the standard certification of UL 852 –Metallic Sprinkler Pipe For Fire Protection Service from Underwriters Laboratories Inc., United States of America. **FiGuard-40** and **FiGuard-10** are regarded to be the only water pipe in fire extinguishing systems in Thailand that has received a double guarantee from two leading international standard certification institutions.

The Company received the certification of the **ZONA** brand name, which is a set of pipes and fittings used for the Cross Hole Sonic Logging Test. It was invented and produced by the Company to support the construction of various mega projects in the country. It would help compensate the need to import such products from overseas.

2019



The Extraordinary General Meeting of the Shareholders No. 1/2019 approved the resolution of the Entire Business Transfer (EBT) from the Company's two subsidiaries, which were Tamose Trading Company Limited and Meesap Transport Company Limited. Tamose Trading Company Limited and Meesap Transport Company Limited proceeded with the registration of liquidation with the Department of Business Development, Ministry of Commerce on December 4, 2019.



## NATURE OF THE BUSINESS

### Overview

Pacific Pipe Public Company Limited (“PAP”) is a manufacturer, which the core business of the Company is manufacturing and distributing steel pipes produced by the process of the electric resistance welded (ERW) production system. At present, the Company produces and distributes more than 5,000 items, which can be categorised into 2 types: black steel pipes and galvanized steel pipes. Both types can be categorized into standard steel pipes that are distributed

under the brand “”, and the commercial steel pipes, which are sold under the brand “”. This is conducted in response to the demand of customers in other kinds of construction, e.g., communication infrastructure, airport structure, warehouse structure, high-rise building structure, etc. and in systematic formats like fire protection systems, irrigation systems, sanitation systems, etc.

### Revenue Structure

	2017		2018		2019	
	(MB.)	(%)	(MB.)	(%)	(MB.)	(%)
<b>Sales and Service Income</b>						
Domestic	7,747.33	94.30	9,389.40	94.44	8,949.65	95.85
International	173.49	2.11	190.79	1.92	69.19	0.74
Service income	113.48	1.38	114.43	1.15	129.57	1.39
<b>Total Sales and Service Income</b>	<b>8,034.30</b>	<b>97.79</b>	<b>9,694.62</b>	<b>97.51</b>	<b>9,148.41</b>	<b>97.98</b>
Net foreign exchange gain	7.72	0.09	7.46	0.07	2.20	0.02
Other revenue	173.70	2.12	240.61	2.42	186.33	2.00
<b>Total Revenue</b>	<b>8,215.72</b>	<b>100.00</b>	<b>9,942.69</b>	<b>100.00</b>	<b>9,336.94</b>	<b>100.00</b>

**Remark :** Other revenue includes scrap sales revenue, galvanizing revenue, interest income, etc.

### Business Characteristics

#### 1. Products

The Company’s produces steel pipes through the process of the electric resistance welded (ERW) production system. The Company offers both made to order and make to stock, which the pipes can be divided into 2 categories according to their usage.

##### 1.1 Steel Piping for Pipeline Systems

In general, steel pipes can be applied in numerous aspects, e.g., public utilities, plumbing, and fire protection systems. There is a tendency of expanding the use of steel piping because of their qualities in replacing other materials in various other applications, e.g., it can be used as a groundwater pipe or sprinkler in a fire extinguisher system for high-rise buildings instead of using PVC pipes. This is because of its strength and pressure, which can handle up to 5 times the pressure of PVC pipes.



## 1.2 Steel Piping for Structural Purposes

Structural steel pipes can be utilised in a variety of ways: e.g., fences, doors, decorative work, railing, guard rails, billboards etc. At present, it is also a preferred alternative to use different types of large steel pipes, e.g., guttering, angles, H-Beam and I-Beam structural steel, as well as can be used for concrete structural work, e.g., piling, scaffolding, etc. Because of its strength, durability, lightweight, and convenience to connect, there is less damage during transporting, which allows for better quality construction work. More importantly, it saves time and costs when compared with using wood and concrete.

In addition, the use of steel pipe has advantages over other types of steel irrespective if it is angle steel, guttering, H-Beam and I-Beam structural steel. Because of the light and

symmetrical qualities, the weight can be distributed in all directions. As a result, structures made from steel piping have lower costs. At present, the use of steel pipes has been continuously recognized and selected by engineers in various construction projects, especially in large spacious structures, buildings that require a lot of space with a few pillars, and buildings with a unique architectural design. Examples of structural steel piping used domestically and internationally, and in the public and private sectors, include various mega projects of the Ministry of Transport, airports, hotels, condominiums, office buildings, factories, hospitals, community malls, showrooms, warehouses, sports stadiums, convention centers etc.



Mixed Use / Office building



MRT-Megaproject



Airport



Warehouse



Sport Stadium



Condominium /Hotel

## Shape and dimension of the steel pipes



Round Pipe

Nominal dimension 1/2 inch (15 mm.)  
to 16 inches (400 mm.)



Square Pipe

From 12 x 12 mm.  
to 300 x 300 mm.



Rectangular Pipe

From 19 x 38 mm.  
to 400 x 200 mm.



C Light Lip Channel


From 60 x 30 x 10 mm.  
to 200 x 75 x 25 mm.

The Company can produce steel piping at a thickness of up to 12.70 mm. and at a diameter of 10 - 16 inches. This is classified as special large steel piping produced under the electric resistance welded (ERW) system, which can be produced in the country at the present time.

## 2. Types of Steel Pipes

- By Surface Finish: Black Steel Pipe, Hot-Dip Galvanized Steel Pipe and Pre Galvanized steel Pipe.
- By Raw Material Grade

### 2.1 Standard Steel Piping

The steel pipes are sold under the brand “”, which they are certified under the international standards that are generally accepted both domestically and overseas. The Company’s production has passed the production procedures and been inspected for its quality products. This is in accordance with the set standards in terms of raw materials, size, thickness and other attributes, e.g., pressure tolerance, etc. Standard steel pipe grades are mostly used in construction work or systematic work that requires high quality products and are recognized both domestically and overseas for the benefit of safety.

### 2.2 Commercial Piping

The steel pipes are sold under the brand “**TMZ**”, which the production process has the same quality as the standard pipes but different in the quality of the raw materials. The quality of the standard pipes will not pass the tests defined in various criteria. Thus, the quality of the standard pipes will be used in work that does not require standardization, e.g., plumbing, railing, fencing, etc.

The selection of the various shapes of the steel pipes mainly depends on customers’ needs, e.g., round steel pipes are more beautiful and more flexible than rectangular steel pipes, so they are more popular to use for a dome or interior decoration. Simultaneously, a square steel pipe is stronger and easier to weld, so it is more appropriate for general structures.

## Quality Certification

Pacific Pipe Public Company Limited has emphasized and given priority to the provision of the highest quality products. Therefore, the quality control of the products has adhered to the standards together with inspection and testing by a professional engineering team that is the heart of the production. From this commitment, the Company has received various certified product standards for steel piping for structural work and systematic work from the Thai Industrial Standards Institute (TISI) and numerous renowned international standard

certification institutes worldwide, including FM, UL, JQA, etc.

The Company received the TIS 17025 (ISO/IEC 17025) certification as an accredited laboratory for testing. This is verification that the laboratory for testing the product quality is accurate and reliable. Thus, the Company will issue a product quality certificate to the customer every time when the standard pipes are purchased as a guarantee of the quality from various national and international standards/certifications that the company has obtained. The details are as follows:

Standards/Certifications	Institutes
ISO 9001: 2015 Quality Management System	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 : 2015 Environmental Management Systems	TUV NORD (Thailand) Ltd.
OHSAS 18001 : 2007 Occupational Health and Safety Assessment Series, after verifying the certificate will be changed to ISO 45001 : 2018	TUV NORD (Thailand) Ltd.
TIS 18001 : 2011 Occupational Health and Safety Management System	TUV NORD (Thailand) Ltd.
Green Industry Level 3 / Green System	Ministry of Industry



Pacific Pipe PCL is the first steel pipe and structural steel manufacturer in Thailand that received ISO 9001:2015, the Quality Management System standard. The accolade created confidence in the organization's efficient management that could respond to the demand of customers and create sustainable growth. In terms of products, the Company has received certifications for various products at the national and international levels as follows:

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

At present, Pacific Pipe Public Company Limited is a leading manufacturer and distributor of high-quality standard steel pipes in Thailand. The Company's products are widely recognized and include black steel pipes, primer-coated steel pipes and galvanized steel pipes, for structural work and pipeline systems both in the domestic and international markets.

The Company has exported its products to Asia, the Middle East, Japan, and Australia. In addition to increasing the revenue, it also develops production technology and various product standards to support the customers' various needs. This is considered a crucial step in developing customers' cooperation in different countries and developing sustainable growth.

### 3. Service

The Company provides procurement services for various steel products with equipment to respond to customers' needs in full. Moreover, with experience in the construction industry for over 40 years, the Company is aware that customers' needs at present do not only comprise a variety of high quality, strong, and attractive products, but also need to be ready for use with accuracy, speed and modern technology. For this reason, the Company increased the product fabrication, including cutting, drilling, welding, bending, primer-coating and galvanizing. Moreover, the Company provides consulting services in the selection of construction materials, replication and construction project management. Therefore, it can be regarded that the Company has progressed to be a "Steel Solution Services Center" that has both products and services of quality and value for customer service.



## 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 sales office. The details are as follows:

Plant / Distribution	Location	Details	Area
1. Phra Pradaeng Plant	298, 298/2 Mu 1, Suk Sawat Road, Pak Khlong Bang Pla Kot, Phra Samut Chedi, Samut Prakan	Manufacturing steel pipes.	24 rai 1 ngan 69 sq. wah; 3 buildings
2. Mahachai Plant (1)	1/112 Samut Sakhon Industrial Park, Mu 2, Rama II Road, Tambon Tha Sai, Amphoe Mueang, Samut Sakhon	Galvanizing steel pipes.	8 rai 2 ngan 5 sq. wah; 1 building
3. Mahachai Plant (2)	1/97 Samut Sakhon Industrial Park, Mu 2, Rama II Road, Tambon Tha Sai, Amphoe Mueang, Samut Sakhon	Manufacturing large-size steel pipes.	20 rai 3 ngan 98 sq. wah; 1 building
4. Mahachai Plant (3)	24/31 Mu 2, Tambon Tha Sai, Amphoe Mueang, Samut Sakhon	Manufacturing medium -size steel pipe.	44 rai 1 ngan; 3 buildings
5. Distribution Center, Bangna-Trat Road Km. 29	158 Mu 6, Tambon Bang Bo, Amphoe Bang Bo, Samut Prakan	Storage for sales.	22 rai 22 sq. wah; 2 buildings
6. Distribution Center, Lat Lum Kaeo	50/6 Mu 2, Tambon Na Mai, Amphoe Lat Lum Kaeo, Pathum Thani	Storage for sales.	25 rai 2 ngan 31 sq. wah; 2 buildings
7. Sales Department, Lumpini Tower	1168/74, 26 <sup>th</sup> Floor, Lumpini Tower, Rama IV Road, Khwaeng Thung Maha Mek, Khet Sathon, Bangkok	Sales office.	1,772.17 sq. m.

## Production Policy and Capability

The Company offers both made to order and make to stock products. Thus, the Company has a production plan from the executive, production division and marketing division, which there will be a meeting to regularly monitor the movement of the customers' needs to use in setting the production policy and to effectively plan for the procurement of raw materials and finished products. This will help save production costs and allow the Company to deliver the steel pipe products immediately.

In addition, in order to maintain the conditions of the machinery in the plant, the Company has scheduled inspections and improved machinery every week. Thus, the machinery's production capacity of steel pipes is 450,000 tons per annum. In 2019, the Company's production capacity was 377,460 tons/year.

According to the Company's business policy, which gives significance to product quality and prompt delivery, raw materials quality, and reliability of the suppliers are the most important factors when purchasing raw materials. The Company regularly conducts a performance evaluation of the suppliers of the raw materials.

### Inventory Policy

For the inventory management of both the raw materials and finished products, the Company has a flexible policy; in other words, management is conducted in accordance with the economic and market conditions at that time. Study, analysis and evaluation of the potential future situation is conducted in order to adjust the optimum quantity of inventory in accordance with the market demand.

### Business Goals

The Company aims to continuously maintain its leadership in the production and distribution of steel pipes in the country in the aspects of quality and rapid delivery of goods to customers. Furthermore, it provides importance to the development of the steel pipes together with the brand that is under the Company's supervision. This has made the Company be recognized and accepted at the national and international levels. Therefore, the Company has a plan to develop new products to comply with the increasing needs of consumers.





## RISK FACTORS

The Company has systematic risk management by appointing an Executive and Risk Management Committee that is responsible for monitoring and evaluating any significant risks and reporting them to the Board of Directors. In 2019, the Company reviewed and assessed the risk factors together with the planned strategies to reduce the impact from any potential risks. Significant risks of the year 2019 were summarised as follows:

### 1. Risk from Material Price Fluctuation and Inventory

The Company's main raw material was hot-rolled steel plate, which the cost fluctuated in accordance with the world steel price. Therefore, the risk from the price fluctuation of the raw materials was a significant factor because of the effect from the world steel price. If the price decreased dramatically, there may be a risk of the impairment of raw material, or in the event that the material price increased, this could adversely affect the sale price. Moreover, such a risk was an external factor, which would be beyond the Company's control. However, the Company set a policy to reduce the aforementioned by:

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

### 2. Risks from the Domestic and International Economies

In order to reduce the risk from the economic factors, the Company focused on developing the product quality and variation by:

- (1) Maintaining the existing customer base, which focused on quality products.
- (2) Penetrating numerous customer groups and expanding production to respond to the customers' various needs. This would be an advantage compared with other companies producing niche products. This would indicate that the Company has operational flexibility to support any changes and rapidly respond to the market's needs.
- (3) Enhancing production efficiency to decrease production costs.
- (4) Focusing on providing services and managing relationships with customers.

- (5) Arranging training to increase customers' and various organizations' knowledge and understanding about the Company's products.

### 3. Risks from Commercial Credit

In conducting the Company's business, there have been accounts receivable from selling products under agreed payment terms. This might cause a risk from non-payment or a delayed payment. Thus, the Company has risk mitigation measures by setting trade credit limits granted to customers by conducting an analysis according to their purchase demand and debt repayment ability, which must be approved in writing by the Executive who has the authorized power in this issue. Additionally, the Company has insurance to reduce the impact when the customer cannot repay the debt.

### 4. Risk from Natural Disaster and Other Emergencies

The Company is aware of the impact of the risk from natural disasters: such as, flood, fire, etc., so it has organized Business Continuous Planning (BCP) to prepare personnel, equipment, and information technology for natural disaster or emergencies. There are planned yearly disaster drills to prepare if a disaster occurs and insurance policies covering any damage.

### 5. Risk from Major Shareholders

Tang Mong Seng Holding Company Limited and its shareholders hold 73.83% of PAP's total number of shares. Thus, they may have almost full control over a resolution in the shareholder's meeting. Therefore, other shareholders may not gather enough votes to verify and counterbalance issues proposed by the major shareholders, except for any issue regulated by the law and the Company's regulations, which requires 3 out of 4 votes from the shareholder's meeting.

## RELATED PARTY TRANSACTIONS

### 1. Leased Land of the Distribution Center at Bangna – Trat Road Km. 29

The Board of Directors' meeting No. 7/2014 on November 11, 2014 passed a resolution to renew the land lease at Bangna-Trat Road for 11 years that has a total area of 22 Rai 22 square wah, which currently is a distribution center. The landowners are Mr. Prayoon Lekapojpanich and Mr. Vichai Lekapojpanich, who are brothers. In determining the rental rate of the aforementioned area would be increased by 10% every 3 years. The details are as follows:

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

In order that the rental rate would pass the consideration of the Audit Committee and be proposed to the Board of Directors for approval, which would consider this agenda, any persons who had a conflict of interest refrained from attending the meeting and their votes were recorded as an abstention. The principles for considering the rental rate appear on page 22.

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

#### Summary of the Leased Land at Bangna – Trat Road Km. 29

Related Parties	Relationship	Rental period	Rental Payment
<b>Lessee</b> Pacific Pipe Public Company Limited (PAP)	- Mr. Prayoon Lekapojpanich, Director of BBA, is Mr. Somchai Lekapojpanich's elder brother - Mr. Vichai Lekapojpanich, Director of BBA, is Mr. Somchai Lekapojpanich's younger brother. - Mr. Somchai Lekapojpanich is a Chairman of PAP.	11 years from September 1, 2014 to August 31, 2025	2,428,800 Baht
<b>Lessor</b> Bang Bo Asset Company Limited (BBA)			

### 2. Leased Land of the Distribution Center at Lat Lum Kaeo

The Board of Directors' meeting No. 4/2015 on July 2, 2015, passed a resolution to renew the land lease at Bang Bua Thong-Suphan Buri, (Highway No. 340 between Kms. 32-33) Na Mai, Lat Lum Kaeo, Pathum Thani that has a total area of 25 rai, 12 ngan, 31 square wah. At present, the land is a distribution center of the Company. In the 13 years of the lease, Lat Lum Kaeo Asset Company Limited has been the landowner. The land rental rate will be increased by 10% every 3 years, which is described as follows:

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

In order that the rental rate would pass the consideration of the Audit Committee and be proposed to the Board of Directors for approval, which would consider this agenda, any persons who had a conflict of interest refrained from attending the meeting and their votes were recorded as an abstention. The principles for considering the rental rate appear on page 22.

### Summary of the Leased Land at Lat Lum Kaeo

Parties Involved	Relationship	Rental period	Rental Payment
<b>Lessee</b> Pacific Pipe Public Company Limited (PAP)	- Mr. Prayoon Lekapojpanich, Director of LLK is Mr. Somchai Lekapojpanich's elder brother. - Mr. Vichai Lekapojpanich, Director of LLK is Mr. Somchai Lekapojpanich's younger brother. - Mr. Somchai Lekapojpanich is a Chairman of PAP.	13 years from July 1, 2015 to June 30, 2028	2,805,000 Baht
<b>Lessor</b> Lat Lum Kaeo Asset Company Limited			

### Criteria for Considering the Land Rental

The criteria for calculating the land rental rate is divided into 2 methods as follows:

- Method 1** Based on the fair market value from 3 independent assessors who received permission from the Securities and Exchange Commission (SEC) multiplied by the ratio of government bonds for a period of 3 years on the date of the rental adjustment [Source: Thai Bond Market Association (Thai BMA)].
- Method 2** Considered by using the market rental rate from 3 independent assessors who received permission from the Securities and Exchange Commission (SEC). The Board of Directors will use the criteria to calculate the land rental rate that would be appropriate for the Company with fairness and adhere to the business.



### 3. Leased Office Space 24<sup>th</sup> Floor, Lumpini Tower

The Board of Directors' meeting No. 6/2019 held on August 13, 2019, passed a resolution for Pacific Pipe Public Company Limited ("PAP") to extend the lease of the apartment with a total area of 692.50 square metres to be used as an office (renewed the fourth lease) No. 1168/68-69, 24<sup>th</sup> Floor, Lumpini Tower, Rama IV Road, Tung Maha Mek, Sathon, Bangkok for a period of 6 years, which was retroactive on August 1, 2019, to July 31, 2025. The rental rates were based on a comparison of the market rate and rate proposed by Lumpini Property Management Company Limited. The determined rental rates were as follows:

Rental rate at Years 1-3 500 Baht/square metre/month

Rental rate at Years 4-6 525 Baht/square metre/month

In considering the leasing of the office space, Mr. Somchai Lekapojpanich held the position of Chairman and Chief Executive Officer of Pacific Pipe Public Company Limited and was also a Director of Tang Mong Seng Holding Company Limited. Therefore, Mr. Somchai Lekapojpanich who was considered a connected person, and in order for the Board of Directors to freely consider such matter, did not participate in the meeting and had no part in considering and approving this agenda.



### Summary of Leasing the Office Space on the 24<sup>th</sup> Floor, Lumpini Tower

Parties Involved	Relationship	Rental period	Rental Payment
<b>Lessee</b> Pacific Pipe Public Company Limited (PAP)	<ul style="list-style-type: none"> <li>- Tang Mong Seng Holding Company Limited holds 39.05% of PAP's paid up capital.</li> <li>- Mr. Somchai Lekapojpanich is a Director of Tang Mong Seng Holding Company Limited.</li> </ul>	6 years from August 1, 2019 to July 31, 2025	2,411,500 Baht (January 1, 2019 to July 31, 2019)
<b>Lessor</b> Tang Mong Seng Holding Company Limited (MH)	<ul style="list-style-type: none"> <li>- Mr. Somchai Lekapojpanich is the Chairman and Chief Executive Officer of Pacific Pipe Public Company Limited.</li> </ul>	(previous contract was 3 years, which ended on July 31, 2019.)	1,731,250 Baht (August 1, 2019 to December 31, 2019)

### Policies or Potential Future Connected Transactions

The related transactions that may possibly occur in the future are subjected to 2 categories: normal and ongoing business transactions and extraordinary and occasional transactions. The procedures for the approval of any related transactions are described as follows:

#### 1. Normal and Ongoing Business Transactions

As some transactions, e.g., selling products that will continue to occur, in the future, as this will be a normal business transaction, the Company has established guidelines and procedures for such transactions. There will be operative conditions for each transaction to be in accordance with the general commercial conditions according to the fair price that is reasonable and verifiable. Moreover, it was proposed that the Audit Committee would be the body to approve the guidelines and directions. Thus, the Audit Committee will consider complying with the criteria and provide an opinion with reasons on the transaction of each quarter.

#### 2. Extraordinary and occasional transaction

The Company entitled the Audit Committee to provide opinions on the appropriateness of the extraordinary transactions. If the Audit Committee were not specialized in considering the transactions, the Company would employ persons with specialized expertise, e.g., property appraiser, or a legal office, etc., who had no conflict of interest with the Company to be the person to offer an opinion on the transaction. The opinion of the Audit Committee or specialized persons would be included in determining the decisions of the Board of Directors or the shareholders depending on each case in accordance with the related regulations.









## BOARD OF DIRECTORS AND THE EXECUTIVE





## Mr. Somchai Lekapojpanich

Chairman

Executive Director

Chairman of Administration and  
the Risk Management Committee

Chief Executive Officer

Age: 60 years

### Date of Appointment:

March 17, 2004

### Family Relationship among the Executive

- None -

### Education

Master of Business Administration, Chulalongkorn University

Bachelor of Mechanical Engineering, King Mongkut's Institute of Technology North Bangkok

### Training Course from the 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

### Directorships in Other Organizations

#### Listed companies

- None -

#### Non-listed companies

1999 - 2019 Director, Tamose Trading Company Limited (Subsidiary)

1996 - 2019 Director, Meesap Transport Company Limited (Subsidiary)

#### Other organizations that may cause a conflict of interest to PAP

- None -

### Criminal Offence Record in the Past 10 Years

1. Never been sentenced for any criminal offense.
2. Never been sentenced for bankruptcy or receivership.
3. Never been an executive or authorized person in a company or partnership that has been declared bankrupt or under receivership.



**Dr. Vicharn Aramvareekul**  
**Independent Director**  
**Vice Chairman**  
**Chairman of the Audit Committee**  
**Age: 71 years**

**Date of Appointment:**

April 24, 2014

**Family Relationship among the Executive**

- None -

**Education**

Doctor of Business Administration, California Coast University, USA

Master of Business Administration, Chulalongkorn University

Bachelor of Business Administration (General Management),

Sukhothai Thammathirat Open University

**Training Course from the Thai Institute of Directors Association (IOD)**

2019 Advance Audit Committee Program (AACP 34/2019)

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

**Directorships in Other Organizations**

**Listed companies**

2012 - Present

Independent Director, Member of the Audit Committee, Member of the Corporate Governance and Risk Management Committee, Chairman of the Nomination and Remuneration Committee: CK Power Public Company Limited

**Non-listed companies**

- None -

**Other organizations that may cause a conflict of interest to PAP**

- None -

**Criminal Offence Record in the Past 10 Years**

1. Never been sentenced for any criminal offense.
2. Never been sentenced for bankruptcy or receivership.
3. Never been an executive or authorized person in a company or partnership that has been declared bankrupt or under receivership.

**Mr. Kriengkrai Rukkulchon**  
**Independent Director**  
**Chairman of**  
**the Remuneration Nomination**  
**and Corporate Governance Committee**  
**Age: 62 years**



**Date of Appointment:**

April 20, 2007

**Family Relationship among the Executive**

- None -

**Education**

Bachelor of Law, Ramkhamhaeng University

Barrister at Law, Thai Bar Association, The Institute of Legal Education

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

2007 Director Accreditation Program (DAP 66/2007)

**Work Experience in the Past 5 Years**

2019 – Present	Director and Executive Director, (As of April), Small and Medium Enterprise Development Bank of Thailand (SME)
2019 – Present	Chairman of the Nomination and Remuneration Committee, (As of November), Small and Medium Enterprise Development Bank of Thailand (SME)
2018 – Present	Professional in Industrial Product Standards Council, Thai Industrial Standards Institute (TISI)
2019 – Present	Subcommittee on Legal Affairs, Thai Industrial Standards Institute (TISI)
2001 – Present	Managing Director, Pikanate Lawyer Co., Ltd
2016 – 2019	Advisory, Board of Directors, Small and Medium Enterprise Development Bank of Thailand (SME)
2017 – 2019	Subcommittee on Legal Affairs, Industrial Estate Authority of Thailand
2018 – 2019	Independent Director and Audit Committee, Premier Enterprise Public Co., Ltd.

**Current Director Position in Other Organization**

**In listed companies**

- None -

**In non-listed companies**

2018 – Present	Professional in Industrial Product Standards Council, Thai Industrial Standards Institute (TISI)
2001 – Present	Managing Director, Pikanate Lawyer Co., Ltd
2019 – Present	Director and Executive Director, (As of April), Small and Medium Enterprise Development Bank of Thailand (SME)
2019 – Present	Chairman of the Nomination and Remuneration Committee, (As of November), Small and Medium Enterprise Development Bank of Thailand (SME)
2019 – Present	Subcommittee on Legal Affairs, Thai Industrial Standards Institute (TISI)

**In listed companies or other organizations that may cause any conflict of interest to PAP :**

- None -

**Criminal Offence Record in the Past 10 Years**

1. Never been sentenced for any criminal offense.
2. Never been sentenced for bankruptcy or receivership.
3. Never been an executive or authorized person in a company or partnership that has been declared bankrupt or under receivership.



## Ms. Piyanus Chaikajornwat

Independent Director

Director of the Audit Committee

Director of the Remuneration Nomination  
and Corporate Governance Committee

Age: 44 years

### Date of Appointment:

June 12, 2008

### Family Relationship among the Executive

- None -

### Education

Master of Science (Management), Assumption University

Bachelor of Business Administration (Marketing Management), Assumption University

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

2009 Director Accreditation Program (DAP 77/2009)

### Work Experience in the Past 5 Years

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

### Directorships in Other Organizations

#### Listed companies

- None -

#### Non-listed companies

- None -

#### Other organizations that may cause a conflict of interest to PAP

- None -

### Criminal Offence Record in the Past 10 Years

1. Never been sentenced for any criminal offense.
2. Never been sentenced for bankruptcy or receivership.
3. Never been an executive or authorized person in a company or partnership that has been declared bankrupt or under receivership.



**Mrs. Udomwara Dechsongjarus**  
**Independent Director**  
**Director of the Audit Committee**  
**Age: 63 years**



**Date of Appointment:**

July 7, 2016

**Family Relationship among the Executive**

- None -

**Education**

Master of Business Administration, Chulalongkorn University

Bachelor of Accounting, Thammasat University

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

2017 Director Accreditation Program (DAP 133/2017)

**Training from Other Institutions**

2018 Digital Economy & Transformation

**Work Experience in the Past 5 Years**

2011 – 2015	Director, Thailand Clearing House Company Limited
2011 – 2015	Director, Thailand Securities Depository Company Limited
2009 – 2015	Assistant Manager, Securities Trading Service Operation Group, Stock Exchange of Thailand
2009 – 2011	Member of the Risk Committee, Thailand Clearing House Company Limited

**Directorships in Other Organizations**

**Listed companies**

- None -

**Non-listed companies**

2016 – Present Director, Napassaree Dermagic Company Limited

**Other organizations that may cause a conflict of interest to PAP**

- None -

**Criminal Offence Record in the Past 10 Years**

1. Never been sentenced for any criminal offense.
2. Never been sentenced for bankruptcy or receivership.
3. Never been an executive or authorized person in a company or partnership that has been declared bankrupt or under receivership.



**Ms. Viriya Ampornnapakul**  
**Executive Director**  
**Member of the Remuneration Nomination**  
**and Corporate Governance Committee**  
**Member of the Executive and**  
**Risk Management Committee**  
**Chief Financial Officer Company Secretary**  
**Age: 58 years**

#### **Date of Appointment**

- [1] March 17, 2004 – April 19, 2008
- [2] January 20, 2009

#### **Family Relationship among the Executive**

- None -

#### **Education**

Master of Business Administration, Kasetsart University  
 Bachelor of Business Administration, Ramkhamhaeng University

#### **Training from the 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 – Present Chief Financial Officer, Pacific Pipe Public Company Limited

#### **Directorships in Other Organizations**

##### Listed companies

- None -

##### Non-listed companies

- 2006 – 2019 Director, Meesap Transport Company Limited (Subsidiary)
- 1999 – 2019 Director Tamose Trading Company Limited (Subsidiary)

##### Other organizations that may cause a conflict of interest to PAP

- None -

#### **Criminal Offence Record in the Past 10 Years**

1. Never been sentenced for any criminal offense.
2. Never been sentenced for bankruptcy or receivership.
3. Never been an executive or authorized person in a company or partnership that has been declared bankrupt or under receivership.

**Ms. Thitima Vattanasakdakul**  
**Executive Director**  
**Director of the Executive and**  
**Risk Management Committee**  
**Chief Operating Officer**  
**Age: 39 years**



**Date of Appointment:**

April 23, 2011

**Family Relationship among the Executive**

- None -

**Education**

Master of E-Commerce (Honors), University of Wollongong, Australia

Master of International Economics and Finance, Chulalongkorn University

Bachelor of Finance & Banking, Chulalongkorn University

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

2013 Director Certificate Program (DCP 177/2013)

**Work Experience in the Past 5 Years**

2010 – Present Chief Operating Officer, Pacific Pipe Public Company Limited

**Directorships in Other Organizations**

Listed companies

- None -

Non-listed companies

2009 – 2019 Director, Meesap Transport Company Limited (Subsidiary)

2013 – 2019 Director, Tamose Trading Company Limited (Subsidiary)

Other organizations that may cause a conflict of interest to PAP

- None -

**Criminal Offence Record in the Past 10 Years**

1. Never been sentenced for any criminal offense.
2. Never been sentenced for bankruptcy or receivership.
3. Never been an executive or authorized person in a company or partnership that has been declared bankrupt or under receivership.



**Mrs. Aeimporn Panyasai**  
**Assistant Chief Executive Officer**  
**Age: 52 years**

**Family Relationship among the Executive**

- None -

**Education**

Master of Economics, Chulalongkorn University

Bachelor of Science, Thammasat University

**Work Experience in the Past 5 Years**

August 2014 – August 2019

Director & Chief Executive Officer, ARIP Public Company Limited

January 2014 – July 2014

Deputy Executive Director, IT Project Business Unit,

SVOA Public Company Limited

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

2015 Director Accreditation Program (DAP 2015)

**Mrs. Phathra Chanyavilas**  
**Corporate Communications Director**  
**Age: 55 years**



**Family Relationship among the Executive**

- None -

**Education**

Master of Business Administration, Chulalongkorn University

Bachelor of Pharmaceutical Sciences, Chulalongkorn University

**Work Experience in the Past 5 Years**

2008 Business Director, Organon (Thailand) Company Limited

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

- None -





## Mr. Supat Borsombat

Sales Director

Age: 54 years

### Family Relationship among the Executive

- None -

### Education

Master of Public Administration, National Institute of Development Administration

Bachelor of Materials Handling & Logistics Engineering,

King Mongkut's University of Technology North Bangkok

### Work Experience in the Past 5 Years

1993 – 2015 Executive Director, Ekkathai Company Limited

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

- None -

## Mr. Pert Leevilaikulrat

Assistant Director

Age: 41 years



### Family Relationship among the Executive

- None -

### Education

Master of Business Administration, Thammasat University

Bachelor of Accounting, Chulalongkorn University

CPA (Thailand), Federation of Accounting Professions

### Work Experience in the Past 5 Years

2008 – 2010 Accounting Manager, Pacific Pipe Public Company Limited

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

2018 Company Secretary Program (CSR86/2018)

## Trainings or Seminars Supporting the Duties of the Directors in 2019.

Seq.	Subject	Institute / Organization	Dr. Vichan	Mr. Kriengkrai	Ms. Piyanus	Ms. Viriya
1	Advance Audit Committee Program (AACP 34/2019)	Thai Institute of Directors	✓			
2	S01: Course on Setting Sustainable Business Development Goals	The Stock Exchange of Thailand				✓
3	S02: Supply Chain and Stakeholder Analysis Program	The Stock Exchange of Thailand				✓
4	S03: Strategy and Methodology for Organizational Sustainability	The Stock Exchange of Thailand				✓
5	Workshop : Methods for TIS Certification	Thai Industrial Standards Institute			✓	
6	Management System Standard Requirements of Anti-corruption : ISO 37001: 2016	The Federation of Thai Industries (FTI)				✓
7	Risk Management (Advanced) - COSO ERM 2017 # 3/62	Federation of Accounting Professions				✓
8	Corporate Governance for Directors and Executives of the Regulator, State Enterprises and Public Organizations #21	King Prajadhipok's Institute		✓		

## Trainings and Seminars for Executives in 2019.

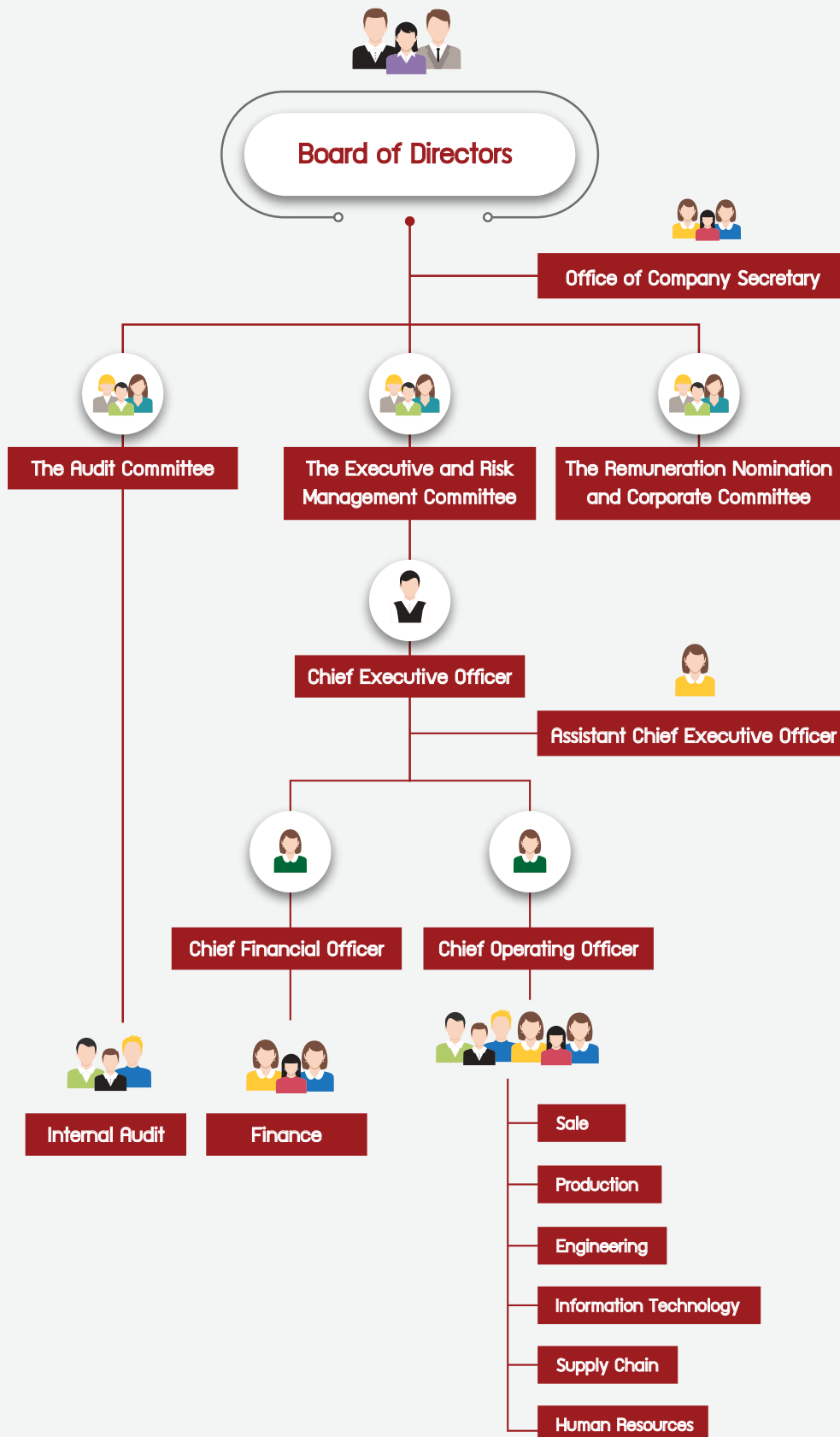
Seq.	Subject	Institute / Organization	Mr. Supat	Mr. Pert
1	SSI Steel Construction Forum 2019	SSI Steel Construction Forum 2019 Sahaviriya Steel Industries Public Limited Company	✓	
2	Accounting Reviews Based on Responsibility	Federation of Accounting Professions		✓
3	TFAC Conference 2019 : Future of Finance - Digital Disruption	Federation of Accounting Professions		✓
4	Risk Management : COSO ERM 2017	Federation of Accounting Professions		✓

## Shareholdings of Directors and the Executive (as at December 30, 2019)

Name	as at December 28, 2018		Increase (decrease) during the Financial Year	as at December 30, 2019		Proportion of Shareholding (%)
	Held Personally	Held by Spouse and Non Sui Juris Children		Held Personally	Held by Spouse and Non Sui Juris Children	
Mr. Somchai Lekapojpanich	10,187,500	17,812,500	-	10,187,500	17,812,500	4.24
Dr. Vicharn Aramvareekul	-	-	-	-	-	-
Mr. Kriengkrai Rukkulchon	535,000	-	-	535,000	-	0.08
Ms. Piyanus Chaikajornwat	-	-	-	-	-	-
Mrs. Udomwara Dechsongjarus	-	-	-	-	-	-
Ms. Viriya Ampornnapakul	3,400,000	-	-	3,400,000	-	0.52
Ms. Thitima Vattanasakdakul	-	-	-	-	-	-
Mrs. Aiemporn Panyasai	-	-	-	-	-	-
Mrs. Phathra Chanyavilas	50,600	-	-	50,600	-	0.007
Mr. Supat Borsombat	-	-	-	-	-	-
Mr. Pert Leevilaikulrat	-	-	-	-	-	-

**Remark:** 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

### Shareholders

List of the 10 Major Shareholders as of December 30, 2019

	Name of the Shareholders	No. of Shares Held (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	Ms. Siree Koowuttayakorn	25,500,000	3.86
3	Dr. Prasan Kemakongkanon	14,260,000	2.16
4	Mr. Nantawat Sathirachaiyawit	5,031,100	0.76
5	Thai NVDR Company Limited	4,488,200	0.68
6	Ms. Sunisa Sathirachaiyawit	3,587,100	0.54
7	Ms. Viriya Ampornnapakul	3,400,000	0.52
8	Mr. Chuvit Jittarasakul	3,360,000	0.51
9	Mr. Peter Eric Dennis	3,310,600	0.50
10	Mrs. Supa Yungyuensuntorn	3,265,100	0.50
	<b>Total</b>	<b>553,524,600</b>	<b>83.86</b>

**Remark:** <sup>/1</sup> There are 14 shareholders in Tang Mong Seng Holding Company Limited; the details are shown in Table1.

<sup>/2</sup> The details of the shareholding of the Lekapojpanich Group are shown in Table 2

Table 1. Shareholders of Tang Mong Seng Holding Company Limited.

	Name of the Shareholders	No. of Shares Held (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>

**Remark:** The name list nos. 1 – 13 are the same persons appearing in Table 2 (Lekapojpanich Group).

Table 2. Shareholdings of the Lekapojpanich Group.

	Name of the Shareholders	No. of Shares Held (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>

## Dividend Payment Policy

The Company is committed to creating sustainable business growth and build competitiveness to increase the value to the shareholders in the long term. The Company has established a policy to pay the dividend at a rate of no less than 40% of the net profit after income tax and after the deduction of the reserves in accordance with the law. Nonetheless, such dividend payment can be changed depending on the Company's operational performance, financial status and investment plan.

In 2019, the Company paid the dividend payment from the operational performance of the year 2018, which was in accordance with the resolution of the Annual General Meeting of the Shareholders 2019 of Pacific Pipe Public Company Limited on April 25, 2019. The resolution approved the dividend payment from the net profit of the separate financial statement of the Company's operational performance for the year 2018 at a rate of 0.05 Baht per share or 41.70% of the net profit.

## Structure of the Company's Executive

Pacific Pipe Public Company Limited is comprised of the following committees:

1. Board of Directors
2. Audit Committee
3. Remuneration Nomination and Corporate Governance Committee
4. Executive and Risk Management Committee

### 1. Board of Directors

The Board of Directors consists of 7 directors that comprise 4 independent directors and 3 executive directors.

Name	Independent Director	Executive Director	Board of Directors	Sub-Committee			Etc.
				AC	RNC	ERC	
1 Mr. Somchai Lekapojpanich		✓	★			★	- Chief Executive Officer
2 Dr. Vicharn Aramvareekul	✓		☆	★			
3 Mr. Kriengkrai Rukkulchon	✓		✓		★		
4 Ms. Piyanus Chaikajornwat	✓		✓	✓	✓		
5 Mrs. Udomwara Dechsongjarus	✓		✓	✓			
6 Ms. Viriya Ampornnapakul		✓	✓		✓	✓	- Chief Financial Officer - Company Secretary
7 Ms. Thitima Vattanasakdakkul		✓	✓			✓	- Chief Operating Officer

**Remark :**

- Director Nos. 1, 6 and 7 are authorized directors that requires 2 out of 3 persons to jointly sign any relevant documentation and affix the Company's seal.
- AC: Audit Committee
- RNC: Remuneration Nomination and Corporate Governance Committee
- ERC: Executive and Risk Management Committee
- ★ : Chairman / ☆ : Vice Chairman

### Duties and Responsibilities of the Board of Directors

The Board of Directors has the authority and duties to administer the company in accordance with the laws, objectives, and articles of Association and resolutions of the shareholders' meeting with the exception of issues that require the approval of the shareholders' meeting before proceeding; such as, legal matters that must have a resolution of the shareholders' meeting, related party transactions, and the acquisition or sale of major assets in accordance with the Stock Exchange of Thailand's regulations, or those stipulated by other government agencies. The details of the authority of the Board of Directors are stated under the Corporate Governance Policy on pages 52.

### Company Secretary

The Board of Directors made a resolution to appoint Ms. Viriya Ampornnapakul as the Company Secretary to perform the duties of supporting the work of the Board of Directors in matters relating to the various regulations. Her profile is on page 31. The specific responsibilities of the Company Secretary are as follows

1. Provide basic advice on the Company's various laws, rules and regulations that the Board of Directors must know and monitor for compliance with accuracy and consistency, including reporting significant changes in legal requirements to the Board.
2. Organize the meetings of the shareholders and the Board of Directors in accordance with the law, the company's regulations and code of conduct.
3. Record the minutes of the meetings of the shareholders and Board of Directors, including monitoring the compliance of the resolutions of the meetings of the shareholders and Board of Directors are practised.
4. Prepare the Company's Annual Report, notice of the shareholders' meeting and the Board of Directors' meeting and the minutes of the meeting.
5. Ensure the disclosure of the Company's information and reports are in accordance with the relevant laws and regulations.
6. Contact, communicate and inform the shareholders about their rights.

### 2. Audit Committee

The Audit Committee consists of 3 independent directors, who hold a 3-year term as from March 3, 2019 to March 3, 2022, namely:

1. Dr. Vicharn	Aramvareekul	Chairman
2. Ms. Piyanus	Chaikajornwat	Member
3. Mrs. Udomwara	Dechsongjarus	Member

Nos. 1 and 3 of the Audit Committee have experience and sufficient knowledge to be able to review the reliability of the financial statements. The scope of the authority of the Audit Committee is stated in the section Good Corporate Governance on page 53-54. The Audit Committee appointed Mr. Naritchai Bhurepongsonond as the Secretary of the Committee.

### 3. Remuneration Nomination and Corporate Governance Committee

The Remuneration Nomination and Corporate Governance Committee comprises 2 independent directors and 1 executive director, who hold a 3-year term as from February 4, 2018 to February 3, 2021, namely:

1. Mr. Kriengkrai	Rukkulchon	Chairman
2. Ms. Piyanus	Chaikajornwat	Member
3. Ms. Viriya	Ampornnapakul	Member

The scope of the authority of the Remuneration Nomination and Corporate Governance Committee is stated in the section Good Corporate Governance on pages 54-55. The Remuneration Nomination and Corporate Governance Committee appointed Ms. Patcharin Juanchainart as the Secretary of the Committee.

#### 4. Executive and Risk Management Committee

The Executive and Risk Management Committee consists of 3 executive directors, who hold a 3-year term as from February 22, 2018 to February 22, 2021, namely:

- |                                |          |
|--------------------------------|----------|
| 1. Mr. Somchai Lekpojpanich    | Chairman |
| 2. Ms. Viriya Ampornnapakul    | Member   |
| 3. Ms. Thitima Vattanasakdakul | Member   |

The scope of the authority of the Executive and Risk Management Committee is stated in the section Good Corporate Governance on pages 55. The Executive and Risk Management Committee appointed Ms. Nantana Lakkham as the Secretary of the Committee.

#### Board of Directors' Meeting

The Meeting attendances of the directors in 2019 are shown below:

Director			Attendance / Total No. of Meetings				
			Board of Directors (8 times)	Audit Committee (6 times)	Remuneration Nomination & Corporate Governance Committee (5 times)	Executive and Risk Management Committee (12 times)	Meeting of the Shareholders (2 times)
1.	Mr. Somchai Lekpojpanich <sup>7</sup>		7/8			10/12	2/2
2.	Dr. Vichan Aramvareekul		8/8	6/6			2/2
3.	Mr. Kriengkrai Rukkulchon		8/8		5/5		2/2
4.	Ms. Piyanus Chaikajornwat		8/8	6/6	5/5		2/2
5.	Mrs. Udomwara Dechsongjarus		8/8	5/6			2/2
6.	Ms. Viriya Ampornnapakul		8/8		5/5	12/12	2/2
7.	Ms. Thitima Vattanasakdakul		8/8			12/12	2/2
8.	Ms. Easra Disorntetiwat <sup>4</sup>		2/2				
9.	Mrs. Saowanee Kamolbutr <sup>5</sup>		2/2				
10.	Dr. Chaiyong Satjipanont <sup>6</sup>		2/2			2/2	

- Remarks :**
- The Company organized the Annual General Meeting of the Shareholders 2019 on April 25, 2019.
  - The Company arranged the Extraordinary Meeting of the Shareholders No. 1/2019 on September 16, 2019.
  - The Board of Directors and the Executive held a joint meeting on November 26, 2019, to generate the Company's strategy for the year 2020.
  - Ms. Easra Disorntetiwat resigned, effective from February 28, 2019.
  - Mrs. Saowanee Kamolbutr resigned, effective from April 17, 2019.
  - Dr. Chaiyong Sajjipanont completed the term of his position, effective on April 25, 2019.
  - The Board of Directors' Meeting no. 3/2019 dated May 10<sup>th</sup>, 2019 appointed Mr. Somchai Lekpojpanich as Chairman of the Executive and Risk Management Committee.

#### The Nomination and Appointment of Directors and Senior Executives

##### 1. Nomination of an Independent Director

###### Qualifications

The Company has specified that the director does not hold a position as an executive and is a qualified and independent person according to the regulations of the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET), which are as follows:

- Holding not more than 1 percent of the total number of shares with voting rights of the Company, subsidiary company, associated company, or any juristic person who may have a conflict of interest. These include shares held by related persons of that independent director.



2. Cannot be or have been involved with the management, employees, staff, or advisor who has received a monthly salary or a controlling person of the company, a subsidiary company, a associated company, a subsidiary company of the same level, a major shareholder, or any juristic person who may have a conflict of interest with the exception of is free from the above-mentioned features no less than 2 years prior to his/her appointment as an Independent Director.
3. Is an independent director who has no blood relationship or legal registration in the form as parent, spouse, sibling, child including spouse of the child of an Executive, major shareholder, controlling authority, or an individual who will be nominated as an Executive or controlling authority over the company and a subsidiary company.
4. Is an Independent Director who has no or ever had a business relationship with the Company, a subsidiary company, an associated company, or any juristic person who may have a conflict of interest in such a manner that may obstruct their exercise of independent judgment. This includes not being or having been a major shareholder or a director who is not independent, or an executive of a party with a business relationship with the Company, a subsidiary company, associated company, or any juristic person who may have a conflict of interest with the exception of is free from the above-mentioned features no less than 2 years prior to his/her appointment as an Independent Director.

Business relationships include allowing conventional business transactions to conduct business, rent, or lease of property. It is a transaction involving assets or services, or a provision, or obtaining financial assistance by accepting or lending, a guarantee, use of assets as collateral against debt, including other similar situations, which has resulted in the Company or the party to the contract having a debt to be repaid to another party for the amount of 3% of the net tangible assets (NTA) of the Company or from 20 million Baht, whichever is lower. As such, the calculation of the debt obligations shall be in accordance with the method of calculating the value of the connected transaction value as per the announcement of the Stock Exchange of Thailand (SET). The disclosure of information and the practices of the listed companies in the connected transaction. It is mutatis mutandis, but consideration is given to the debt obligations that shall be inclusive of any debts incurred 1 year before the date of the business relationship with the same party.

5. Cannot or have been an auditor of the Company, a subsidiary company, associated company, or any juristic person who may have a conflict of interest and a major shareholder, a director who is not independent, an executive, or a managing partner of an auditing office that acts as the auditors of the Company, a subsidiary company, associated company, or any juristic person who may have a conflict of interest with the exception of is free from the above-mentioned features no less than 2 years prior to his/her appointment as an Independent Director.
6. Is not or has been a person rendering any professional service including providing legal or financial advice who is paid more than 2 million Baht per year by the Company, a subsidiary company, associated company, or any juristic person who may have a conflict of interest. In the case that a person has rendered any professional service as a juristic person including being a major shareholder, a director who is not independent, an executive, or a managing partner of a party that provides professional service with the exception of is free from the above-mentioned features no less than 2 years prior to his/her appointment as an Independent Director.
7. Is a director who has not been appointed to be a nominee of a director of the Company, a major shareholder or a shareholder who is connected to a major shareholder.
8. Does not engage in a business of the same nature as and is a significant competitor of the Company, or a subsidiary company, or is not a significant partner of a partnership, or a director with involvement in the management, employees, staff, advisor with a monthly salary, or who holds more than 1% of the total number of shares with voting rights of another company, which is engaged in a business of the same nature as and which is a significant competitor of the Company or a subsidiary company.
9. Does not have any other characteristic which prevents him/her from providing an independent opinion relating to Company's operations. Following appointment as an independent director as stated in Items no. 1-8 of, they may be assigned by the Board of Directors to make collective decisions involving the business of the Company, a subsidiary company, associated company, a subsidiary company of the same level, or any juristic person who may have a conflict of interest by making collective decisions.

**Executive**

As of December 31, 2019, the executive comprised 7 persons as follows:

1. Mr. Somchai Lekapojpanich  
Chief Executive Officer
2. Mrs. Reimporn Panyasai  
Assistant Chief Executive Officer
3. Ms. Viriya Ampornnapakul  
Chief Financial Officer
4. Ms. Thitima Vattanasakdakul  
Chief Operating Officer
5. Mrs. Phathra Chanyavilas  
Corporate Communications Director
6. Mr. Supat Borsombat  
Sales Director
7. Mr. Pert Leevilaikulrat  
Assistant Director

**Remuneration for Directors and the Executive****1. Monetary Remuneration****1.1 Meeting allowance and gratuities**

The Annual General Meeting of the Shareholders 2019 approved a resolution for the remuneration for 2019 for the amount of 5,500,000 Baht. In 2019, a total of 4,254,167.00 Baht was paid as remuneration for the Board of Directors. The Company paid the meeting allowance and gratuity to the independent directors whereas the Executive were only paid a gratuity but no allowance.

**Gratuity and Meeting Allowance**

(Unit : Baht)

Director		Gratuity	Meeting Allowance	Meeting Allowance of the Sub-committee	Total Meeting Allowance	Total Remuneration
1. Mr. Somchai	Lekapojpanich	500,000				500,000
2. Dr. Vichan	Aramvareekul	540,000	100,000	60,000	160,000	700,000
3. Mr. Kriengkrai	Rukkulchon	420,000	100,000	52,500	152,500	572,500
4. Ms. Piyanus	Chaikajornwat	420,000	100,000	82,500	182,500	602,500
5. Mrs. Udomwara	Dechsongjarus	330,000	100,000	37,500	137,500	467,500
6. Ms. Viriya	Ampornnapakul	420,000				420,000
7. Ms. Thitima	Vattanasakdakul	330,000				330,000
8. Ms. Easra	Disorntetiwat <sup>4</sup>	40,000	20,000	-	20,000	60,000
9. Mrs. Saowanee	Kamolbutr <sup>5</sup>	160,000	20,000	-	20,000	180,000
10. Dr. Chaiyong	Satjipanont <sup>6</sup>	140,000	27,500	-	27,500	167,500
Total		3,300,000	467,500	232,500	700,000	4,000,000

- Remarks :**
1. The Company organized the Annual General Meeting of the Shareholders 2019 on April 25, 2019.
  2. The Company arranged the Extraordinary Meeting of the Shareholders No. 1/2019 on September 16, 2019.
  3. The Board of Directors and the Executive held a joint meeting on November 26, 2019, to generate the Company's strategy for the year 2020.
  4. Ms. Easra Disorntetiwat resigned, effective from February 28, 2019.
  5. Mrs. Saowanee Kamolbutr resigned, effective from April 17, 2019.
  6. Dr. Chaiyong Satjipanont completed the term of his position, effective on April 25, 2019.
  7. The Board of Directors' Meeting no. 3/2019 dated May 10, 2019 appointed Mr. Somchai Lekapojpanich as Chairman of the Executive and Risk Management Committee.

### 1.2 Gratuity for Directors Who Completed Their Tenure

In 2019, Dr. Chaiyong Satjipanont completed his tenure and received a total gratuity of 254,166.67 Baht as an independent director.

## 2. Other Remuneration

- Group health insurance
- Training courses and seminars to support the performance of the duties in the position of director.

## 3. Remuneration for Executives

### 3.1 Monetary Remuneration

In 2019, the Company paid remuneration of the total amount of 18,114,000.00 Baht to 7 executives in the form of salary and bonus.

### 3.2 Other Remuneration

The company established a provident fund for the Executives, and the Company paid a rate of 5% of the salary. In 2019, the Company paid a total of 751,575.00 Baht for the Executives.

## Personnel

As of December 31, 2019, total number of employees in the Company divided by section (excluding Executives) was as follows:

Division	Number (Persons)
1. Office of the Board of Directors	16
2. Finance	53
3. Sales	93
4. Supply Chain	259
5. Production	299
6. Engineering	115
7. Information Technology	14
8. Human Resources	33
<b>Total</b>	<b>882</b>

## Remuneration of the Employees (excluding Executives)

The remuneration for employees consists of salary, bonus and provident fund. In 2019, the Company paid a total of 205,117,280.21 Baht in remuneration to the employees in the form of salary, bonus and provident fund.

## Remuneration of the Auditor

In 2019, the Company and its subsidiaries paid remuneration for the audit to EY Office Company Limited and persons or businesses related to the auditor and affiliated organizations as follows:

### 1. Remuneration for the audit

Company	Audit Fee (Baht)
1. Pacific Pipe Public Company Limited	1,200,000
2. Tamose Trading Company Limited	390,000
3. Meesap Transport Company Limited	240,000
<b>Total</b>	<b>1,830,000</b>

### 2. Other Remuneration

EY Corporate Services Limited Service acted as the intermediary of transferring the whole operation to the Pacific Pipe Public Company Limited and its subsidiaries. The total service charge for this matter was 2,600,000 Baht.

Nevertheless, the audit company and the auditor had no relationship or any conflict of interest with the Company, Executives, major shareholders or any related parties.

## CORPORATE GOVERNANCE POLICY

### Definition

The 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 includes the management system and internal control of the Company to achieve goals for the utmost benefits to the shareholders in the long term under the principles of the Securities and Exchange Commission Thailand (SEC) together with the principles of the Organization for Economic Co-Operation and Development (OECD) to be used as a guideline in establishing good corporate governance principles of the Company. This would create confidence to all related parties and be the basis of sustainable growth of the business with transparency, integrity, accountability and competitiveness. As for the practices that have not been adopted, the reasons have already been recorded as a resolution of the Board of Directors' meeting.

The principles of good corporate governance for the Company have guidelines that have been divided into 5 sections as follows:

1. Rights of the Shareholders
2. Equitable Treatment of the Shareholders
3. Role of the Stakeholders
4. Disclosure and Transparency
5. The Board of Directors' Responsibilities consist of 8 principles:

- Principle 1 Realize the role and responsibilities of the Board of Directors as an organizational leader that creates sustainable value for the business.
- Principle 2 Define the main objectives and goals that are sustainable.
- Principle 3 Strengthen the Board of Directors' effectiveness.
- Principle 4 Recruit and develop senior executives and administrative personnel.
- Principle 5 Promote innovation and responsible business operations.
- Principle 6 Ensure that there is an appropriate risk management system and internal control.
- Principle 7 Maintain financial reliability and disclosure of information.
- Principle 8 Encourage participation and communication with shareholders.

## Section 1. Rights of the Shareholders

### 1. Fundamental Rights

The Company's Board of Directors has defined the good corporate governance policy with consideration to the shareholders' rights as stipulated by law which comprise the following:

1.1 The right to receive, transfer and fairness in the repurchase of shares by the Company and the right to receive sufficient information punctually via the communication channel provided by the Company to enable shareholders to consider the impact which may occur on themselves and the Company.

1.2 The right to attend the shareholders' meeting, express opinions, recommendations and jointly consider the Company's various agenda during the shareholders' meeting.

1.3 The right to elect and remove the Company's directors and approve the appointment of independent auditors.

1.4 The right of retail investors to elect directors

1.4.1 Each shareholder is entitled to vote with one share being equal to one vote.

1.4.2 Each shareholder appoints each director individually.

1.4.3 The persons receiving the highest votes in descending order shall be the elected directors equal to the number of directors that the shareholders' meeting must elect at the time. In the event that the persons who have been elected in descending order have equal votes in excess of the number of directors that the shareholders' meeting must elect at the time, then the Chairman of the meeting shall have the casting vote.

1.5 The right in the equal sharing of profits.

### 2. Entitlement to Receive Information and Express Opinions in the Shareholders' Meeting

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



2.2 The Company provides opportunities to shareholders to propose the agenda or submit questions for the shareholders' meeting in advance before the end of the fiscal year via the company's website <https://bit.ly/2lQTWsp>.

2.3 In the shareholders' meeting, the Company's directors and financial executives, including the independent auditors will attend the meeting. During the meeting, the Chairman will provide an opportunity for all shareholders to have the equal right to express their opinions and ask questions with sufficient time and allow the relevant directors explain and/or provide various information in full to the shareholders and announce the voting results on the next business day through the website of the Stock Exchange of Thailand (SET) and the Company's website.

In addition, the Company will arrange and disseminate the minutes within 14 days from the date of the shareholders' meeting via the websites of the Stock Exchange of Thailand and the Company.

2.4 All forms of compensation of the Board of Directors will be approved by the shareholders annually. The Company will propose the criteria and methods in determining the compensation, as well as the comparative information of the Board of Directors compensation in the past year.

2.5 The election of directors will be conducted individually.

2.6 The Company specifies each agenda of the meeting clearly, and there shall not be any additions made to the agenda without prior notification to the shareholders.

## Section 2 Equitable Treatment of the Shareholders

### 1. Attending the Shareholders' Meeting

1.1 The Company releases the documents, both in the Thai and English languages, for the meeting 30 days in advance on the Company's website at <https://bit.ly/2lQTWsp> before the meeting date and sends the documents to the shareholders. The Company granted Thailand Securities Depository Co., Ltd., the share registrar of the Company, to send all the documents to the shareholders 30 days before the meeting date.

1.2 In arranging the shareholders' meeting, the Company took into account the convenience of the shareholders and institutional investors to attend the meeting; such as, the venue of the meeting and access to information through the Company's website.

The Company informed the details to the shareholders to bring all the necessary documents to the meeting to maintain the rights to attend the meeting according to the Company's regulations of the shareholders' meeting. The Company also attached a proxy for shareholders who would like to authorize another person or the Company's independent director to attend the meeting instead. Moreover, the shareholders could download the proxy via the Company's website at <https://bit.ly/2lQTWsp>.

1.3 The Company provided shareholders with an opportunity to propose the name of a person for the position as the Company's director. For more information, the shareholders were able to visit the Company's website at <https://bit.ly/2lQTWsp>.

1.4 In every shareholders' meeting, the Company would use technology for the registration and counting the votes and showing the results. The Chairman would inform the shareholders of the voting method and the number of the quorum, in providing opportunities for shareholders to equally exercise their rights in inquiring, expressing their opinions, and offering various recommendations, including use a ballot paper and acknowledging the voting results on each agenda.

1.5 The Company provided shareholders with the right to attend the shareholders' meeting after it had already started and the right to vote in the agenda that was still pending and not yet voted.

1.6 In preparing the minutes of the shareholders' meeting, the following information must be recorded:

- (1) The names of the directors and executives that attend the meeting, and the proportion of directors who attend and do not attend the meeting.
- (2) The method of voting and counting the votes, the resolutions and the results of the voting (approve, disapprove or abstained) of each agenda.
- (3) The questions and answers at the meeting including the name-surname of the inquirer and respondent.

## 2. Conflict of Interest

The Company's Board of Directors have defined the measures of the use of internal information to prevent any misuse for wrongful personal benefit as stated in the ethics guidelines and code of business conduct. The details can be summarized as follows:

2.1 Employees should avoid any action that may cause a conflict of interest with the Company, be it contacting with any parties relevant to the Company's business; such as, trade partners, customers, trade competitors, or from an opportunity or using information obtained from being a Company employee for personal interest in undertaking any form of business that would compete with the Company or performing any other operations other than that of the Company's work, which would impact the employees' duties.

2.2 Employees should refrain from holding shares in rival companies if such ownership would influence the employee to act or refrain from actions that should be performed, or affect their duties. In the case that employees held the shares before being employed with the Company, or before the Company enters the same business, or owns the shares by inheritance, the employees must report the issue to their respective supervisor.

2.3 Company employees who have a part of any stake holding are prohibited to enter any transactions on behalf of the Company to prevent a conflict of interest that might occur.

2.4 Any Company business transactions on behalf of an individual, family or any legal entity that the employees hold a stake must be disclosed to the Company before being involved in the transactions.

2.5 Performing a task from a subsidiary company (if have) will be allowed only after receiving the approval from the respective executive or directors. However, the Company's employees must not perform any external task that would compete with the Company's business operations or result in a conflict of interest, regardless if it is a temporary or permanent task with the exception it has received the approval from the respective executive or directors.

2.6 In attending a meeting to consider any agenda in which the attendees, who are directors, executives, or employees have vested interests, that person must temporarily leave the meeting to allow other attendees to have the opportunity to consider, analyze, and discuss the item without the influence of such person.

2.7 The Board of Directors and executives must consider any conflict of interest involving connected transactions between the Company and its subsidiaries (if have) independently with meticulousness, honesty, and rationally under the framework of good ethics in the best interests of the Company.

2.8 The Board of Directors and executives must report any related transactions that relate to the business management of the Company or its subsidiaries (if have) to the Internal Audit Department quarterly or when the transaction occurs, and the Internal Audit Department will report the issues to the Board of Directors meeting as a quarterly report.

## 3. Use of Internal Information

Internal information is the Executive's operation data, which is the Company's confidential information and undisclosed to the public. If the information is disclosed, this would affect the Company or its subsidiaries (if have), especially stock that is traded in the stock market. The Company's employees must not disclose any internal information gained from the performance of their duties to others or misuse the internal information for personal gain or to decrease the Company's benefits. In particular, the use of the Company's internal information of securities trading for personal benefit or others, would be considered a violation of Sections 241 and 242 of the Securities and Exchange Act, B.E. 2535 [1992], which was amended to be the Securities and Exchange Act, B.E. 2559 [2016].

### Practise of Using Internal Information

3.1 Report the change in the securities holding (Form 59-2) each time and within 3 business days from the date of the purchase via the electronic system at <https://market.sec.or.th/r59>.

3.2 The Company has set a policy and methods for preventing the misuse of internal information of the directors, various executives including the related officers involved directly with internal information, as follows:

3.2.1 The first report of the securities holding (Form 59-1) should be submitted to the Assistant Director of the Internal Audit within 15 days from the closing date of the sale of the securities to the public or the date appointed as an executive.

- 3.2.2 Must report a summary of the Company's securities on a quarterly basis for the Internal Audit Department to report to the Board of Directors.
- 3.2.3 Financial information about the purchasing and selling of the Company's securities cannot be used from the 15th day of the month after the Company prepares that quarter's financial statement until 24 hours after the statement has been submitted to the Stock Exchange of Thailand. The Company shall announce the security trading prohibition date for each period. During the previous year, the directors and Executive strictly complied with the policy.
- 3.2.4 The use of other information in the trading of the Company's securities, since receiving the information and until 24 hours after the information has been disclosed to the public, is prohibited.
- 3.3 The Company's employees at all levels must maintain privacy of customer and trade information. Employees must not disclose such private information to other employees, or other unauthorized persons with the exception of it is required by law to disclose such information for litigation purposes, or the Board of Directors has given approval to do so.
- 3.4 The Company's directors, executives, and employees or persons related to the information who are prohibited to disclose or transmit the confidentiality of the Company to unrelated parties including relatives, friends, etc.
- 3.5 The disclosure of any information must only be conducted by the Company's employees that have the authorization, which unauthorized personnel do not have when asked to disclose any information. Therefore, it is recommended that the inquirer ask the authorized person to ensure the accuracy and consistency of the information.
- 3.6 Advice about the Company's securities trading must not be provided with the exception that unless it is related to a duty assigned by the Company.

- 3.7 The directors, Executive and the employees from the level of assistant director up must prepare a report of the purchasing/selling of the Company's securities within 3 working days to the Assistant Director of the Internal Audit Department after the trade has occurred.
- 3.8 The directors, Executive and the employees from the level of assistant director up must prepare a quarterly report of the securities holding of their own or related persons in accordance with the rule of the Securities and Exchange Act and submit to the Internal Audit Department. The Internal Audit Department will then report the change of the securities holding of such persons to the Board of Directors on a quarterly basis.

### Section 3 Role of Stakeholders

The Company's Board of Directors has realized the sustainable growth of the business that aims to grow with the expectation and the impact that may affect all stakeholders in all sectors. Thus, the Board of Directors has ensured that the objectives, goals and the strategy of the business are consistent with the achievement of the Company's objectives and main organizational goals. The Executive will report to the Board of Directors at least once a year on these matters:

- Activities that are performed for the stakeholders.
- Stakeholders' needs based on social and environmental responsibility.

#### 3.1 Practices for Customers

- 3.1.1 Deliver products that meet the quality standards under fair conditions and on the basis of fair compensation for both parties.
- 3.1.2 Company employees must be devoted, strive to develop quality products and services at a reasonable price and in time with the situation, fair terms and conditions without any restriction of consumers' fundamental rights.
- 3.1.3 Employees must comply with the contract or agreed conditions strictly. In the case that the employees are unable to comply with any part of the conditions, they must notify the partner and/or creditors in advance in order to jointly find search for solutions.
- 3.1.4 The employees Customers confidentiality must be seriously concealed with the exception whereby the customer agrees in writing or by the law to the disclosure. In addition, such information must not be used for personal and any other related party's benefit.

### 3.2 Practices with Trade Competitors

- 3.2.1 Operate within the framework of fair competition, do not manipulate deceptive information, or any other methods to discredit competitors.
- 3.2.2 Do not search for confidential information of trade competitors in an inappropriate and dishonest way; such as, offering compensation to competitors' employees.
- 3.2.3 Do not defame the trade competitors with unreasonable accusations or without actual information.

### 3.3 Practices with Trade Partners

- 3.3.1 Procurement requires steps that must be verified to provide transparency and maximum benefit.
- 3.3.2 The Company must operate with trade partners with equality on the basis of fair competition.
- 3.3.3 The Company's employees must purchase and supply goods and services by taking into account the need for value, price and quality. Equal, accurate, unbiased, non-discriminatory information should be provided to trade partners, including purchasing and supplying that is concise and consistent with the situation.
- 3.3.4 The Company's employees must not take advantage from purchasing supplies. Employees must be neutral, not close to the trade partner, as this may cause the trade partner to influence the decisions of the company's employees.
- 3.3.5 The employee shall strictly adhere to the contractual agreements. If either the Company or the trade partner fails to comply with the agreed terms and conditions, or any other reason that may render compliance with the contract impossible, the Company employee shall immediately report to his/her supervisor for advice.

### 3.4 Practices with Shareholders

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

- 3.4.1 Having the dividend policy to pay the shareholders at the rate of no less than 40% of the net profit after deducting the reserves in accordance with the law for shareholders. At present, the Company has reserves of 10% of the Company's registered capital in accordance with the law. However, such dividend payment can be changed depending on the Company's performance, financial status and investment plan.

- 3.4.2 Shareholders and stakeholders can report or complain about any issue that may cause damage to the Company to the Board of Directors via various channels as follows:

(1) Investor Relations

Pacific Pipe Public Company Limited  
1168/74, 26th Floor, Lumpini Tower,  
Rama IV Road, Bangkok 10120  
Tel.: [662] 679-9000; Fax: [662] 679-9074  
Email: ir.dep@pacificpipe.co.th

(2) Chairman of the Audit Committee:

Dr. Vicharn Aramvareekul  
Email : huang\_vc@yahoo.com

(3) Chairman of the Remuneration Nomination and Corporate Governance Committee :

Mr. Kriengkrai Rukkulchon  
Email : kriengkrairukk@gmail.com

Investor relations will compile the report or complaint by the shareholders and submit to the Remuneration Nomination and Corporate Governance Directors, who are responsible for investigating the issue and reporting it to the Board of Directors.

### 3.5 Practices with the Creditors

The Company would comply with the terms of the loan agreement and provide accurate financial information including debt payments that are paid promptly on time every time and are strictly in accordance with the contract or the various terms agreed upon. In the case that the Company is unable to comply with any of the conditions, the Company shall inform the creditors in advance in order to jointly consider searching for a solution. In business negotiations, employees should refrain from claiming, receiving, or informing of any benefits that may cause any dishonest trade.

### 3.6 Environmental, Community and Social Responsibilities

- 3.6.1 Support the preservation of the environment, education, religion, arts, culture and local customs and traditions where the company is located.
- 3.6.2 Conduct consistent activities to create a society, community, and environment, so that the community where the company is located has a better quality of life. These can be conducted by the Company and/or in cooperation with the government and community.

- 3.6.3 Prevent accidents and control the disposal of waste at an acceptable standard level.
- 3.6.4 The Company will cultivate awareness to employees regarding having responsibility for society, the environment and natural resources.
- 3.6.5 Encourage and promote the effective and efficient utilization of various materials, equipment and resources.

### 3.7 Respect for Human Rights and Fair Labor Practices

- 3.7.1 Support will not be provided for the enforcement of labor or prison labor and the use of corporal punishment or threat of violence, or other forms of physical, sexual, psychological or verbal abuse.
- 3.7.2 Oppose and not use child labor by not hiring any person under 15 years of age regardless of the purpose, both permanent work or part-time work including paid or unpaid work.
- 3.7.3 For the employment of foreign workers, the Company must act legally in accordance with the labor law.
- 3.7.4 The Company will select persons to be hired for various positions with fairness by considering the qualifications of each position, education, experience and other requirements necessary for the work. The Company will treat its personnel equally without discrimination on gender, age, race, religion, educational background, or other status that is not directly related to their working performance.
- 3.7.5 The Company realizes the importance of the employees and acknowledges that the employees as valuable resources, which are the key of the Company's success. Thus, the Company provides importance and ensures employees have the work skills and stability by:
  - (1) Provide a fair and appropriate salary with the employees' duties and responsibilities. All employees at all levels will receive a performance evaluation using the key performance indicators (KPIs) as a basis for remuneration in the form of annual salary promotion and bonus.
  - (2) Organize orientation and provide employee manuals to all new employees to acknowledge and understand the employees' rights and that they have been accepted under fair employment ethics.

- (3) Focus on continuously developing and providing training and education to employees to increase their work potential to have efficiency, and promote employees have career advancement by being considered for the examination for promotion each year.
- (4) Set up a provident fund for employees for supporting them in saving funds in the long term for themselves and their families when they resign, retire, become disabled or die. This includes promoting employees to have knowledge and understanding about money management.

- 3.7.6 The Company has established a Safety Committee to maintain the work environment to always be safe for the life and property of the employees.
- 3.7.7 The Company will maintain personal data of the employees; such as, biography, health record, resumes, etc. The disclosure or transfer of the employees' personal data to the public will be conducted once receiving the approval from the said employee. The violation of this regulation is a disciplinary offense with the exception it is done in accordance with the Company's regulations or the law.

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

The Company recognizes the importance of occupational safety, health, and working environment, which is a basic responsibility of the Company and affects all employees including others. The Company has established the following policy:

1. Occupational safety and maintenance of a good working environment are the responsibilities of all employees of all levels, who will cooperate together in order to afford safety to the lives and property of themselves, others and the Company.
2. The Company encourages all employees of all levels to have knowledge and awareness in safety and good occupational health in their work operations.
3. The Company realizes the importance of prevention measures of accidents that may arise from operational work of employees and other persons.



4. The Company supports and promotes the improvement of the work environment and methods of working in safe and good hygienic conditions of the employees.
5. The Company will support and promote activities about work safety through continuous training that provides the knowledge, review and practices as well as organizes various activities to raise awareness of safety among the employees and be always prepared.
6. The Company will prepare and procure standardized, quality, personal protective equipment for employees to use and wear for safety according to the appropriateness of the characteristics and work operations.
7. The Company will strictly examine and inspect the safety for the employees comply with the regulations relating to the Company's safety, including being attentive and controls for employees to wear and use the equipment in accordance with the Company's stipulation.
8. The Company considers that all employees have participation in accident prevention and environmental protection. The Company welcomes any recommendations and opinions from the employees. Taking them into account, the Company will rectify the various defects according to the appropriateness to provide the utmost safety of the employees.

#### **Policy on Using Information Technology and Communication**

1. The Information Department have arranged the information policy that is reported to the Board of Directors, which covers the following matters and is reviewed at least once a year.
  - 1.1 Information technology resource allocation and management that ensures adequate resource allocation of the business operations and guidelines to be accepted in the case that the Company is unable to allocate sufficient resources as required.
  - 1.2 IT security policy and measures.
  - 1.3 The policy that promotes and uses equipment, licensed and copyright programs, and communications for all employees at all levels.
2. Do not use the Company's computer system, disseminate any inappropriate information that is unethical towards the traditions and customs, or violates the law; such as, damages the reputation or property, possessing pornography, forwarding disruptive e-mail, etc.

3. The Company's employees must secure their password from other people's access. Employees must not inform other persons, so to prevent other persons from accessing or using the Internet to enter any unfamiliar websites which could harm the Company's computer system.
4. In the case that a Company employee requests for his/her supervisor's permission to allow an external user to access the Company's information technology system, that requesting employee must monitor the external user's work and be responsible for any damage to the Company that may arise caused by the access.
5. The Company has the right to examine, search, investigate and control the Company's employees' information technology usage in order to ensure the safety of the Company's IT system.
6. The Company's employees that use an additional external computer or equipment for their work in the Company must request for their supervisor's permission.

#### **Policy on the Non-infringement of Intellectual Property**

The Company complies with intellectual property laws, or any copyright works or information that is the right of an external third party that has been accepted or will be used in the Company must be examined that it does not violate other people's intellectual property.

1. Any work performed by the duty is considered as the Company's intellectual property.
2. When employees are discharged from their employment, intellectual property, work, innovation, etc. must be returned to the Company regardless if it is information in any format.
3. Employees who use the Company's computers must only use the licensed software programs and in particular, receive permission to use the work from only the Company to avoid any violation of intellectual property.
4. Conducting work or information that is the right of an external third party already used or will be used in the Company must be examined that it does not violate other people's intellectual property.

## **Section 4 Disclosure and Transparency**

The roles and duties of the Board of Directors, Sub-committees and Chief Executive Officer.

## 1. Duties of the Board of Directors

### 1.1 Authority of the Board of directors

- 1.1.1 Define the authority of the Chairman of the Board of Directors and Chief Executive Officer.
- 1.1.2 Establish the limitations of the financial authority of the Chief Executive Officer.
- 1.1.3 Appoint, dismiss and delegate duties to the sub-committees and Company's Secretary.
- 1.1.4 Consider the approval of investment projects, transactions of the acquisition and disposition of assets, connected transactions of the company and its subsidiaries with the exception that the transactions must receive the approval from the shareholders' meeting. In this regard, the consideration for the aforementioned approval must be conducted in accordance with the announcement of the Capital Market Supervisory Board and/or announcement of the regulations and/or related rules of the Stock Exchange of Thailand.
- 1.1.5 Approve the Board of Directors to have authority that is in part excessive on various issues; such as, receiving or canceling the credit limit, entering into transactions which are not usual business.
- 1.1.6 Expert consultation or the company's advisors (if any) or hire experts and external consultants if necessary.

### 1.2 Scope of the responsibilities

- 1.2.1 Perform the duties responsibly; be cautious and honest including must comply with the law, the company's objective, the company's regulations, as well as the resolutions of the shareholders' meeting with the exception of those transactions that must receive the approval of the shareholders before operation; such as, issues that the law require receiving a resolution from the shareholders' meeting, connected transactions, and acquisition and disposition of important assets in accordance with the regulations of the Stock Exchange of Thailand or as determined by other government agencies.
- 1.2.2 Consider the approval of the Company's business policy, goals, operational plan, business strategy and annual budget.

- 1.2.3 Consider and approve the appointment of persons that have the qualifications and no prohibited qualities as specified in the Public Limited Companies Act B.E. 2535 (1992), and the laws on securities and stock exchange including regulatory announcements and/or rules related to persons who serve as directors in the case that the directorship is vacant due to reasons other than retirement by rotation.
- 1.2.4 Consider appointing independent directors by considering the qualifications and prohibited qualities of independent directors in accordance with the law on securities and stock exchange, announcement of the Capital Market Supervisory Board including regulatory announcements and/or the related rules of the Stock Exchange of Thailand, or as proposed to the shareholders' meeting for consideration as an independent director of the company.
- 1.2.5 Consider appointing a sub-committee to assist in the operations in accordance with the responsibility of the Company's Board of Directors.
- 1.2.6 Consider determining or amending the name of the authorized directors of the company.
- 1.2.7 Appoint other persons to conduct the Company's business under the control of the Board of Directors or may appoint or authorize any individual to have the power and / or within the time as the Board of Directors deems appropriate. The Board of Directors may cancel, change or amend such power.
- 1.2.8 Consider approving the payment of the interim dividends to shareholders if the Company's has sufficient profit to do so and report the said dividend payment to the shareholders' meeting in the next shareholders' meeting.
- 1.2.9 Consider approving and reviewing the written policies; such as, the good corporate governance policy, code of conduct and business ethics, and handbook of the directors at least once a year.
- 1.2.10 Review and comment on the sufficiency of the Company's internal control annually.
- 1.2.11 Establish a reliable financial report and audit system.

## 2. Duties of the Chairman

- 2.1 Be responsible as the Board of Director's leader to oversee, follow-up, and ensure that the duties of the Board of Directors are conducted efficiently to achieve the Company's objectives and main goals in accordance with the plan.
- 2.2 Ensure that all directors contribute to promoting the Company's ethical culture and good corporate governance.
- 2.3 Set the agenda of the Board of Directors' meeting by discussing with an independent director in the case the Chairman is not an independent director.
- 2.4 Be Chairman of the Board of Directors' meeting and the shareholders' meeting.
- 2.5 Allocate sufficient time for the Executive to propose topics and for directors to debate important matters thoroughly and freely exercise opinions.
- 2.6 Be an intermediary for the Company and external organizations; such as, government agencies, funds, local organizations, and press when necessary. The Chief Executive Officer is the Company's key spokesperson.
- 2.7 Promote the good relationship between the executive and non-executive directors, and between the Board of Directors and management.

## 3. The Audit Committee

- 3.1 Review that the Company's financial reports are disclosed accurately and adequately by coordinating with the auditor and Executive who are responsible for preparing both the quarterly and annual financial reports.
- 3.2 Review that the Company has established an appropriate and effective internal control system and internal audit system.
- 3.3 Consider approving the appointment, transfer, dismissal, and performance evaluation of the Assistant Director of the Internal Audit Department.
- 3.4 Consider the approval of the internal audit plan, budget and personnel of the Internal Audit Department.
- 3.5 Consider reviewing the independence and performance report of the Internal Audit Department.

- 3.6 Review that the Company has an appropriate and effective risk management system, including review the Company's internal procedure of receiving notifications of following-up complaints that have independence and the appropriate action by taking into account confidentiality and measures to protect informants.
- 3.7 Review that the Company has conducted business in compliance with the securities and exchange laws, the regulations of the Stock Exchange of Thailand, or any related laws of the Company's business.
- 3.8 Evaluate the Company's auditor in the following issues:
  - a. To consider the auditor's compensation based on creditability, resource adequacy, and workload of the audit firm, including the experience of the personnel who have been assigned to audit the Company.
  - b. To consider the independence of the auditor to select and propose to be appointed/dismissed as the Company's auditor.
- 3.9 Consider the disclosing of the Company's information in the case a connected transaction occurs or there is a conflict of interest in accordance with the relevant regulations.
- 3.10 Perform other tasks as assigned by the Company's Board of Directors and consented by the Audit Committee.
- 3.11 Prepare the report on the activities of the Audit Committee by disclosing in the Company's annual report.
- 3.12 Report any issues deemed necessary to be disclosed to the shareholders and general investors under the scope of the duties and responsibilities assigned by the Board of Directors.
- 3.13 Conduct a performance evaluation of the Audit Committee by relevant persons at least once a year to improve the operations for the highest benefit to the shareholders and organization.
- 3.14 Report the regular activities of the Audit Committee to the Board of Directors for their acknowledgement.

3.15 In conducting the duties of the Audit Committee, if any suspicious transaction or actions that might significantly affect the Company's financial status and operation results, the Audit Committee must report the issue to the Board of Directors in a period of time that is deemed appropriate to resolving it. The following list consists of the types of transactions and action that need to be reported:

- a. Transactions with a conflict of interest;
- b. Corruption, irregularities or defects in the internal control system;
- c. Violation of the Securities and Exchange Law, the regulations of the Stock Exchange of Thailand, and any other laws related to the Company's business.

If the Audit Committee reports to the Board of Directors about issues that significantly affect the financial status and operation result, and has already discussed with the Board of Directors and Executive about the solution in a consensual time that has already expired, but the Audit Committee ignores implementing the said solution without justification, the Audit Committee could report the issue to the Office of the Securities and Exchange Commission and/or the Stock and Exchange of Thailand.

3.16 Report the preliminary audit result to the audit office and auditor within 30 days from the date of notification from the auditor about any suspicious action that the director, or individual responsible for such juristic person's operation that violates the Securities and Exchange Act (4th edition) B.E. 2551 (2008).

#### **4. The Remuneration of the Nomination and Corporate Governance Committee**

##### **4.1 Nomination**

4.1.1 Consider the criteria and methods for nominating the Board of Directors.

4.1.2 Consider the structure, size and elements of the the Board of Directors and sub-committees that would be appropriate for the Company's strategy and changing situation to propose to the Company's Board of Directors.

4.1.3 Nominate and propose qualified persons for the position of director to replace the director whose term has expired and propose to the Board of Directors' and shareholders' meeting for approval.

4.1.4 Nominate and propose qualified persons to the position of director to replace the director who resigns or vacates office before completing the term and propose to the Board of Directors' meeting for approval.

4.1.5 Nominate and propose qualified persons as members of the sub-committee and propose to the Board of Directors' meeting for approval.

4.1.6 The Remuneration Nomination and Corporate Governance Committee together with the Chief Executive Officer will consider the criteria and procedures for the nomination and appointment of persons in the position of the Chief Executive Officer and propose to the Board of Directors for approval.

##### **4.2 Remuneration**

4.2.1 To consider and determine the compensation for the Company's Board of Directors, the Executive, and directors holding office in a sub-committee in various formats; for example, gratuities, meeting allowance, issuing of securities in accordance with the ESOP project, or other compensation to propose to the Board of Directors and/or the shareholder's meeting for approval. The consideration will consider based on:

- a. The appropriateness of the existing criteria compared with the overview of the industry, economic situation, inflation, Company's performance and other factors.
- b. Duties and responsibilities of directors who operate in each sub-committee.
- c. Information of the compensation of other companies that are in the same industry and have a similar business size and performance.

4.2.2 Consider the adjustment of the monthly salary, the provision of benefits and annual bonus payment to the Chief Executive Officer to propose to the Board of Directors' meeting for consideration for approval.

##### **4.3 Corporate Governance**

4.3.1 Set the Company's Corporate Governance policy, Ethics and Code for Business Conduct and Corporate Social Responsibility policy and propose to the Board of Directors for approval.

4.3.2 Supervise the Company's operations in order to be in accordance with the principles of good corporate governance and the code of conduct of the Company's business operations.

4.3.3 Review the good corporate governance policy of the Company at least once a year by comparing to the international standard and best practices of the Stock Exchange of Thailand and propose to the Board of Director for consideration to be updated.

4.3.4 Review the Board of Directors' handbook and best practice of the Code of Conduct to propose to the Board of Directors at least once a year.

## 5. Executive and Risk Management Committee

### 5.1 Management

5.1.1 Establish the Company's policy, business direction, strategy, business operation, investment plan and annual budget to propose to the Board of Directors for consideration for approval.

5.1.2 Supervise the business operations of the Company to be in accordance with the policy, business direction and strategy including investment plan and budget that has received approval by the Board of Directors as well as report to the Board.

5.1.3 Alter and increase the annual expenditure budget in the case of an emergency, which would affect the usual business operation, and propose to the Board of Directors for ratification in the next meeting.

5.1.4 Approve the expense for purchasing raw materials for production or for products for selling for a normal business operation in the amount per transaction as assigned by the Board of Directors.

5.1.5 Approve the expense for investment in buildings, machinery, equipment, information system, or fixed assets that are related to normal business operations in the amount per transaction as assigned by the Board of Directors.

5.1.6 Consider the interim or annual dividends to propose to the Board of Directors for consideration for approval.

5.1.7 Consider the organizational structure and authority of the executive.

### 5.2 Risk Management

5.2.1 Set the risk management policy and propose to the Board of Directors for the approval.

5.2.2 Provide opinions on the evaluation results and method of the Company's risk management on each issue to comply with the policy. The strategy and method of risk management can be assessed, followed-up and prevent the risks at an appropriate level. There are guidelines that can be used when a situation arises.

5.2.3 Arrange a review of the Company's and the subsidiaries' risks regularly by covering various external and internal issues as follows:

- (1) Risk strategy
- (2) Operating risks and the regulatory risks
- (3) Financial risks

5.2.4 Follow-up, oversee and review the risk management policy, including the strategy and conduct when risks occur at least once a year to ensure that the risk management strategy is effectively and appropriately implemented to a particular situation.

5.2.5 Provide advice and support to the Company's Executive Committee regarding corporate risk management, including the promotion and support to improvement of the Company's internal risk management system in continuously and regularly.

5.2.6 Communicate, exchange, and coordinate information about risk management and the internal control with the Company's Audit Committee.

5.2.7 Appoint a working group and/or Company Executive team to support the process and risk management activities, as appropriate and necessary.

5.2.8 Perform any tasks assigned by the Board of Directors.

## 6. Chief Executive Officer

6.1 Create and propose the Company's business policies, goals, operational plans, business strategies, and annual budget for approval from the Executive and Risk Management Committee and the Board of Directors, respectively.

6.2 Set business plans, the budget, and authorization to seek approval from the Executive and Risk Management Committee and the Board of Directors, respectively.



- 6.3 Have the authority to approve financial operations to purchase raw materials and asset procurement for the Company's financial expansion in accordance with the limitations based on the defined scope of authorization.
- 6.4 Set efficient organizational and administration structures to cover the Company's selection, training, employment and dismissal of employees.
- 6.5 Supervise and approve issues related to the Company's operations, and may appoint or authorize any individual or team to engage in any activity as it deems appropriate. The authorization can be canceled, changed or amended.
- 6.6 To perform any other tasks assigned by the Company's Board of Directors and Executive.

The delegation of authority and responsibilities will not have the authorization, or delegate authorization that would allow the person with power of attorney to approve any items or a person who has an interest, or conflict of interest with the Company and its subsidiaries (if have) (as defined in the Notification of the Securities and Exchange Commission). Approval of items in that manner must be proposed to the Board of Directors' and/or shareholders' meetings (depending on the case) for consideration of approval in accordance with the Company's and subsidiaries' regulations (if have), or relevant laws with the exception as a transaction with normal business conditions that has specified limits.

## Section 5 Board of Directors' Responsibilities

The Board of Directors performs its duties with responsibility in accordance with good corporate governance based on the principles of the Securities and Exchange Commission (SEC). There are 8 principles as follows:

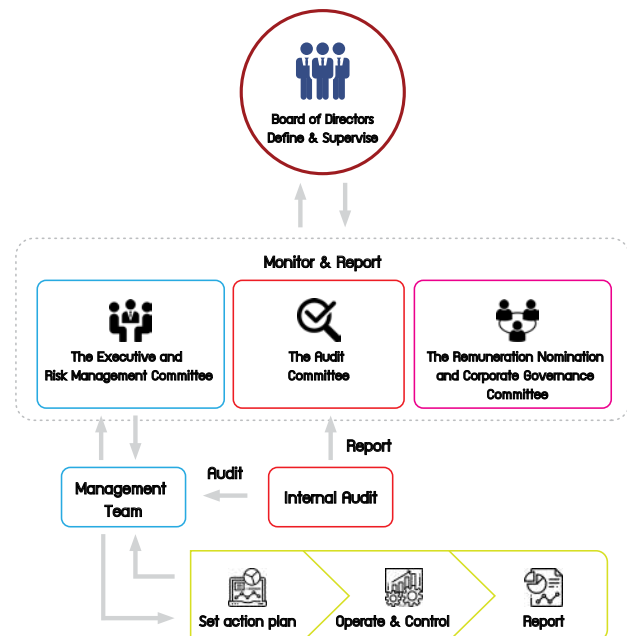
### **Principle 1. Realize the Clear Role and Responsibilities of the Board in a Leadership Capacity That Create Sustainable Value for the Business**

1. Set the charter of the Board of Directors, which defines its duties and responsibilities. This charter will state that the directors must administer the Company's operations in accordance with the law, regulations, the shareholders' meeting resolution, including the guidelines as well as approval processes of important operations in accordance with the set laws including the Board of Directors' authority in approving various issues of the Company.
2. Create and review the good corporate governance policy, business code of conduct, and directors' handbook at least

once a year to be the rules and guidelines in the Company's operations and oversee all stakeholders.

### **Principle 2. Define the Objectives and Key Goals of Sustainable Business**

The joint committee has set a vision, mission, direction, business goals and reviews such issues at least every 5 years. To set the strategy, the Board of Directors will consider all aspects including the economic situation and competition to analyze the environment, risk factors, and issues relating to society and the stakeholders. As a consequence, the Board of Directors will assign the Executive to produce an action plan to propose to the Board of Directors to ensure that the Company will achieve the specified goal, as well as report the results of the operation quarterly. In 2019, the Board of Directors considered and approved the Company's vision, business direction and 3-year strategy plan (2020 – 2022) by focusing on creating strength internally by developing employees and the process improvement, as well as increase the ability to compete in the long-term sustainably. As such, the Chief Executive Officer announced and communicated the target direction and strategy goal for all departments to acknowledge and assign to the action plan to support and achieve the goal, as well as required a quarterly report of the performance from the Executive and the Board of Directors.



### **Principle 3. Strengthening the Board of Directors Effectiveness**

1. Composition of the Board of Directors
  - 1.1 The Board of Director consists of 7 directors, which are divided into 3 executive directors and 4 independent directors.

1.2 The composition of the Board consists of more than half of independent directors. In case, the Chairman is not an independent director, one independent director will be appointed to consider the agenda of the Board of Directors' meeting.

1.3 The nomination and appointment of directors must be in accordance with the Company's regulations and relevant laws and must be transparent. The nomination of directors must have the consideration of the Remuneration Nomination and Corporate Governance Committee and proposed to the Board of Directors and/or shareholders' meeting for approval, as the case may be.

1.4 The Company Secretary shall be appointed to assist the Company's Board of Directors in various activities and assist the Board and the Company to act in accordance with relevant laws and regulations.

## 2. Qualifications of Directors

2.1 A director must be a person with knowledge, ability, ethics who dedicates time, and attempts to perform his/her duties and be independent in making decisions.

2.2 Have the qualifications and is not legally prohibited by a public limited company and other related laws.

2.3 Limit the number of directorship positions in other companies to be no more than 5 companies.

2.4 Limit the number of directorship positions in other companies as CEO, CFO and COO to be no more than 5 companies.

2.5 Can be independent in accordance with the regulations of the Securities and Exchange Commission and the Stock Exchange of Thailand.

2.6 The tenure of a director must comply with each Board of Director's charter in accordance with the Company's regulations Section no. 13, which states that in every Annual General Meeting, one - third of the directors must resign. If the number of directors cannot be divided into 3, the number of directors that is the closest to one-third must resign. The directors who must resign in the first and second year after the Company has been listed can be decided upon by drawing lots. For later years, directors who have held a position the longest must resign. Directors who have resigned can be reappointed into a position again.

## 3. Diversity of the Board of Director's Policy

The Company's Board of Directors is aware of the benefits of the diversity of the Board of Directors, and this is an important factor in enhancing the decision-making and working efficiency of the Board of Directors.

This diversity is not limited only to gender, but also to the age, education, professional experience, skills and knowledge. Therefore, in nominating and considering the appointment of the Company will be based on knowledge and ability by using the criteria in the selection, which takes into account diversity.

## 4. Establishment of Sub-committees

Apart from the Company's Board of Directors, there are 3 sub-committees comprising

### 4.1 Audit Committee

The Audit Committee consists of 3 independent directors who are also members of the Company's Board of Directors. At least one member of the Audit Committee must have expertise in accounting/finance, and the Audit Committee must have the qualifications relating to being independent. The period of tenure is 3 years.

### 4.2 Remuneration Nomination and Corporate Governance Committee

The Remuneration Nomination and Corporate Governance Committee has 3 members consisting of 2 independent directors and 1 executive director. The period of tenure is 3 years.

### 4.3 Executive and Risk Management Committee

The Executive and Risk Management Committee has 3 members comprising 3 executive directors. The period of tenure is 3 years.

## 5. Board of Directors' Meeting

In each year, the Board of Directors will arrange the schedule for the annual general meeting in advance with a minimum of at least 6 times. In each Board of Directors' meeting, the Company's Secretary will send an invitation letter and the related documents for the Board's meeting at least 7 days in advance. All directors can submit the meeting agenda, and if for any reason they are unable to attend the meeting, the Board of Directors will inform the Company at least 1-2 days in advance. There should be not less than 75% of the total number of directors attending the Board meetings held throughout the year. The Board meeting will provide sufficient time for discussing and expressing opinions, including allowing the senior executive explain information as the person involved directly with the problem. Voting in the meeting requires a minimum of a quorum

of at least two-thirds of all directors when the Board has a resolution, as well as the minutes of the meeting must be written. In addition, the Board of Directors' meeting has set the policy to hold a meeting of non-executive directors at least once a year.

#### 6. Board of Directors' Report

The Board of Directors is responsible for the financial statements of the Company. These financial statements are executed in accordance with the accepted accounting standards. The selected accounting policy shall be appropriate and consistent, as well as use careful discretion, including the best estimation for adequately disclosing important information in the financial statements. The Company's Board of Directors shall be responsible for the financial information appearing in the financial statements disclosed in the annual report, and the Audit Committee, consisting of independent directors, will be accountable for the quality of the financial statements and adequate systems of internal control and the Audit Committee's comments will appear in the Audit Committee's report in the annual report.

#### 7. Orientation for New Directors

The Company will have the Secretary act as the coordinator of internal training for new directors; for example, handbook, anti-corruption policy, good corporate governance policy, and the code of business conduct including a plant visit, so to understand the characteristics of the business supply chain as well as the management structure.

#### 8. Evaluation of the Board of Directors' Performance

The evaluation of the Board of Directors' performance is conducted, so the Board of Directors can perform their duties with the highest efficiency. This is also a framework for the review and improving the operational development of the Board of Directors and evaluating the individual performance, as well as that of the sub-committees by the Board of Directors.

The Remuneration Nomination and Corporate Governance Committee will propose the evaluation criteria to the first Board of Directors' meeting of every year in order to bring the evaluation results to be analyzed and share opinions on each issue. The results of the Board's evaluation will be used to determine the suitability of the Board's composition. The results of the evaluations of 2019 are as follows:

All 25 items of the Board of Directors' performance evaluation covered the director's preparedness, strategy and business planning, risk management and internal control, controlling and preventing conflict of interest, and following-up the financial reports and operations. The assessment result was 99.20%.

All 18 items of the individual director's evaluation covered the director's qualifications, Board meetings, performing the director's duty, and good corporate governance. The assessment result was 99.84%.

Every sub-committee received a performance evaluation as well, but this was conducted by the Board of Directors. In particular, the sub-committee brought the evaluation results to be proposed to the Board of Directors to suggest solutions to improve various issues from the Board's performance evaluation that was similar to a tool to help improve the operations.

### **Principle 4. Nomination and Development of Senior and Personnel Executive**

#### **1. Nomination and Development of Senior and Personnel Executive**

The Remuneration Nomination and Corporate Governance Committee in conjunction with the Chief Executive Officer set the criteria and procedures for the nomination of the Chief Executive Officer that would be proposed at the Board of Directors' meeting to be considered for other senior executive positions. The Executive and Risk Committee are responsible for setting the successor plan of senior executives and nominating qualified and capable persons in accordance with the set criteria, including having a performance evaluation.

For the personnel executive, the Administration Department has prepared a personnel management plan and rate plan to propose to the Company's Board of Directors as part of the analysis and consideration of the organization's strategy.

## 2. Evaluation and Compensation

The Board of Directors will consider the criteria and methods for evaluating the performance of the Chief Executive Officer and the evaluation results will be considered for annual compensation. The evaluation is divided into 2 parts comprising Part 1: The success measurement according to the target by comparing the performance with the set target. Part 2: The performance evaluation of the Chief Executive Officer by independent directors who will conduct an individual appraisal. The result of each director will be calculated as an average and be summarized at the Board of Directors' meeting in January of every year. The Chairman of the Board of Directors will inform the result of the evaluation to the Chief Executive Officer. In addition, the performance evaluation in the format as KPIs will be used as a tool to evaluate personnel in all positions in the Company, so to use as the criteria in the consideration of compensation in the form of annual bonuses and salary adjustments.

## 3. Succession Plan

The Board of Directors has established a succession plan for the executive directors and senior executives. Each year, the Company will have an action plan meeting, which allows for the exchange of systematic knowledge and experience, so that investors can be assured that the Company will have a continuous operation and succession of executives in each department.

## 4. Training and Knowledge Development

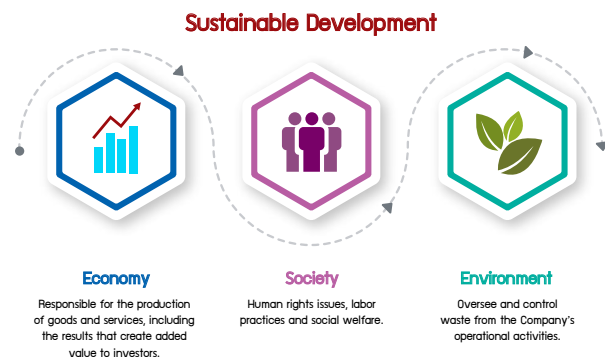
There is a compulsory training plan for all employees in accordance with the positions, including publicizing the training courses related to various positions. After completing the training, the Company will arrange to have skills testing in both theory and practice then report to the Executive.

### **Principle 5. Promotion of Innovation and Responsible Business Practices**

The Board of Directors is aware of the importance of responsible business operations, which must originate from the cooperation in the performance of the duties through responsibility and awareness of the employees at all levels and in all departments. Therefore, it ensures that all employees of the Company have understanding of the policy and ethics, code of business conduct, anti-corruption policy, including be

acknowledgeable about the channel for complaints, or inform the Company, which disseminates its communications, and has arranged for employees to undertake a test through the Intranet system and summarize the results to the Executive and Board of Directors.

The Board of Directors has arranged for the report of the corporate social responsibility (CSR) to be publicized on the Company's website at <https://bit.ly/2DBzmls>. The CSR report adheres to the disclosure of guidelines in 3 aspects as follows:



### **Principle 6. Assurance of an Effective Risk Management and Internal Control System**

The Company's internal control and internal audit are independent departments that examine every department's operation to be in accordance with the set rules, including evaluating the effectiveness and efficiency of each department's internal control. This assists the Administration Department to be confident that the current internal control is operating consistently and is appropriate. It also searches for weaknesses and develops current operating systems to have greater efficiency. The Internal Audit Department can fully inspect and counterbalance where necessary and report directly to the Audit Committee.

### **The Organization and the Environment**

1. The Company has set clear business goals and measures to present to the Board of Directors to consider as guidelines for employees' practices.
2. The Company has arranged the code of business conduct for good practice for all employees to perform their duties without violating the Company's code of ethics.

3. The organizational structure, clear segregation of duties, and the set approval of authority in writing have been established to assist the operation to be conducted effectively and appropriately according to the business size and condition.
4. Define and provide the job description, which specifies the nature of the duties, level of knowledge, ability, and skills of the position for the selection of appropriate personnel.
5. Have human resources management with regards to the recruitment of appropriate personnel for a position, personnel development and training, promotion, salary promotion, and consider providing reasonable incentives or compensation to employees.

#### Control

1. Apply key performance indicators (KPIs) that are clearly defined as a tool for planning and controlling the operation's results.
2. For each type of transaction, appoint authorities to approve the financial amount in writing.

#### Follow-up and Evaluation

1. Prepare the report that compares the actual operation with the quarterly forecasts.
2. The Internal Audit Department proposes the audit report to the Board of Directors and the Executive.

The Company has the Internal Audit Department, which is directly operating under the Audit Committee that supervises the operation of the Audit Office to have independence and ethics. There are professional standards for internal auditing through the charter of the Audit Committee to set the scope of duties, authority and responsibilities, including clear guidelines for conducting the audit and review every year. Therefore, for the appointment, transfer, dismissal, and evaluation of the performance of the Executive of the Company's Internal Audit Department, the Audit Committee must give approval each time.

#### Board of Directors' Opinion on the Internal Control System

The Audit Committee and Board of Directors agree that the Company has an adequate and appropriate internal control system with the operation in the current situation. There is adequate personnel and follow-up and control of the operation to protect the Company's assets from being misused by the directors or executives, or no authority to access the internal control system. Thus, 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 the Internal Audit Department

The Company has nominated and appointed Mr. Naritchai Bhurepongsanond as the head of the Company's Internal Audit Department since April 1, 2004, considering his knowledge, ability and more than 7 years of experience of internal auditing in the industry. The details of the Head of Internal Audit are stated as follows:

##### Mr. Naritchai Bhurepongsanond (Age 46)

##### Position

- Assistant Director of the Internal Audit Department

##### Education

- Bachelor of Accountancy, Rajamangala University of Technology Thanyaburi

##### Training

- Certificate Program for Internal Auditors of Thailand Class 12, The Institute of Internal Auditors of Thailand.
- Internal Audit Program: Preparation Course as an Internationally Certified Internal Auditor, Class 5, Chulalongkorn University.
- Papermaking for Measures against Corruption in the Organization #1/18, CAC

##### Work Experience

2004 – 2019	Internal Audit Manager, Pacific Pipe Public Company Limited
1997 – March 2004	Internal Audit Supervisor, IRPC Public Company Limited

For the appointment, transferring, dismissal and performance evaluation of the Executive of the Internal Audit Department, the Audit Committee must consider and approve each time.

#### Risk Management

The Company's Board of Directors gives importance to risk management by providing systematic risk management methods for the whole organization that are consistent with international standards, including assigning the Executive and Risk Management Committee to consider offering suggestions and supporting the Risk Management Department to develop the organization's risk management system to have continuous efficiency, as well as support the cooperation at every level of the organization and to report the results on a quarterly basis.



In the operation of risk management, the Board of Directors must be aware of the importance in communicating to the employees at all levels to understand by establishing a risk management policy through the organization's Intranet each year. Following the announcement of the Company's strategy and the employees are aware, the risk owner has the duty of evaluating and preparing information about risk management to propose to the Risk Management Committee and the Board of Directors to consider.

#### **Principle 7. Maintaining Financial Reliability and Information Disclosure**

1. The Board of Directors is responsible for having a system for the company's financial reporting, financial disclosure that must be reviewed by a certified auditor and in accordance with financial reporting standards and related practices. This includes the disclosure of information annually on Form 56-1, management discussion and analysis (MD&A) and various important information that is accurate, sufficient and timely.
2. Disclose the financial report information by considering the evaluation results of the adequacy of the internal control system, the auditor's observations and opinions, Audit Committee's opinions including being compliant with the Company's objectives, goals and policy.
3. Ensure that the Executive reports on the Company's financial status and also regularly reports to the Board of Directors to know immediately or be aware of the signs that affect liquidity and ability to pay off any debts to resolve the problem and carefully conduct business and disclosure of information in accordance

with the criteria of the related department.

4. Disclose non-financial information, which consists of various policies; for example, the corporate governance policy, code of business conduct, anti-corruption policy and complaints policy.
5. Report the responsibility of the Board of Directors for the financial report and disclose the performance of the Board of Directors and sub-committees.
6. Supervise the Investor Relations Department and assign the Executive to have a person to take responsibility as the Company's representative to communicate information to the investors, securities analysts, and related parties to acknowledge the Company's information equally and launch the channel for communications for the investors via the Company's website <https://bit.ly/2GLCNx2>.

#### **Principle 8. Support Engagement and Communication with Shareholders**

The Board of Directors supports the shareholders' participation in the rights of the minority shareholders to propose to the meeting's agenda in advance and nominate a person to be a director. The company sets and discloses the guideline as follows:

Section 1 Rights of shareholders, fundamental rights and entitlement to receive information and express opinions in the shareholders' meeting which is on pages 45-46.

Section 2 Equitable treatment of shareholders. The topics for attending the shareholders' meeting on the page 46.

#### **Explanations for some practices which were not adopted in 2019.**

Criteria that have not been implemented	Reason / alternative measure
<p>1. The Board of Directors should consider the Company's corporate governance policy for its subsidiaries, including:</p> <p>(1) The authority to appoint persons to be directors, executives, or others with controlling power in a subsidiary company, which will be specified in writing. In general, the Board of Directors should be the appointee with the exception that the subsidiary is small and is the "operating arms" of the business, the Board of Directors may assign this authority to the Chief Executive Officer to be the appointee.</p>	<p>Pacific Pipe Public Company Limited (PAP) accepted the business transfer from the 2 subsidiaries, which was approved in the Extraordinary Meeting of the Shareholders No.1/2019 dated September 16, 2019. Thus, from 2020 onwards, PAP will not have any subsidiaries.</p>
<p>(2) Set the duties and responsibilities of the persons who are representatives of the Company in accordance with Item (1), and representatives of the Company overseeing the operations in accordance with the subsidiaries' policies. In the case that the subsidiary company has investors, the Board of Directors should set the policy for the representative to perform his/her role in the subsidiary's best interest and be consistent with policy of the main company.</p>	

Criteria that have not been implemented	Reason / alternative measure
2. If participating in any investment of other significant businesses; such as, the proportion of shares with voting rights between 20% and 50%, and the investment amount or may require a significant additional investment, in the case that this is necessary, the Board of Directors should ensure that the shareholders' agreement or other agreements relating to authority are clarified. In the administration and participation in the decision-making of significant issues, the following-up of the operations that could be used as information for the preparation of the financial statement in accordance with the relevant standards and in time.	The company has no policy to invest in any other business.

## Risk Management

The Board of Directors supports the internal risk management system of the organization, which is an important mechanism for achieving the objectives and adding value to the stakeholders. Therefore, the Board of Directors has set the Executive and employees in every department to manage their department's risk by having a role, duty, and responsibility in evaluating and managing the Company's risk to be acceptable. This will be done by promoting and encouraging risk management to become part of the organizational culture by raising every employee's awareness about the importance of risk management by establishing effective risk management procedures. Every step of the procedure should be in accordance with the risk management framework of an international standard of the Committee of Sponsoring Organization of the Treadway Commission (COSO), which comprises the internal control system guidelines framework (COSO) and risk management guidelines framework (Enterprise Risk Management: ERM) according to the good corporate governance to increase opportunities of success by using limited resources effectively and decreasing the uncertainty in the operation results. The Company's risk management procedures consist of 8 elements as follows:

### 1. Internal Environment

Is the consideration of the steps of the strategy planning, so to understand the principles and reasons for setting the Company's strategy for specifying the risk factors covering all significant activities in the Company.

The set strategy starts with the Chief Executive Officer determining how the annual mission relates to the Company's vision by putting the strategy into practice via a balanced scorecard (BSC), which is the duty of the Executive of each department that must set the annual plan and budget by considering from various activities as well as set the KPIs to evaluate the success of every activity.

### 2. Objective Setting

The Company's objective must be relevant to its vision and head in the same direction. That is to say, the Company's objective must conform with the vision, mission and direction of the Company's business operations and must have consistency since the level of the Company, departments, activities, to the level of the personnel so that the general objective achieves the goals. This is to know the scope of the operations of each level and be able to thoroughly analyze the risks that may arise. Therefore, the objective must reflect the results that the Company would like to achieve, not the procedures.

### 3. Event Identification

Organized a workshop with the related personnel for them to identify risk situations by considering the operational processes that would affect the achievement of the objectives of each department and the company. This was done to identify events or uncertainties that could cause errors, failure, damage or loss of opportunities without considering the existing controls and the possibility of an event of uncertainty to ensure that the identification of risk covers all activities. Examine risk events to search for relationships, analyze the relevant causes by investigating those relationships, and define the cause of the relationship to determine the risk factors, including specifying the risk categories, which the Risk Management Committee has categorized into 3 types as follows:

- Strategic Risk: The risk related to the strategic level.
- Operation and Compliance Risk: The risk related to the operational levels and illegal practices.
- Financial Risk: The risk related to finance.

### 4. Risk Assessment

After the department has searched for and identified the risks, the next step is to measure the level of risk compared to the acceptable risk of the Company. This will measure the levels of the inherent risk factors and then recheck the level of the risk then consider the effective control of the residual risk. The details of best practices are as follows:

- 4.1 Evaluation of the level of risk by conveying the risk events and factors that have been found, or specify the previous steps, measure or assess the severity with the frequency or probability, so to specify the importance level of risk.
- 4.2 Rating the risk is conducted determining the multiple risk factors to classify the risk for clarity on determining the selection of the risk factors to be set in the risk management plan so to reduce level of risk and be at an acceptable level of the organization.

## **5. Control Activities**

Is the consideration of efficiency and effectiveness of the internal control aspects that have been established to decrease the risk level that the Company can accept. This will consider the internal control aspects after evaluating the inherent risks and establishing the risk response. The efficiency and effectiveness of the internal control aspects will be considered from the selection of the use of existing resources of the department, be it human resources, budget, time, materials or various equipment available to reduce the prevention of opportunities of risk events or reduce the impact when a risk event occurs. This must have a cost-effective operation in accordance with the listed risk factors.

## **6. Risk Response**

After evaluating and arranging the level of the risk, which will make the Company aware of the remaining risk and risk that is higher than the accepted risk, the risk owner must consider an operational plan to reduce the opportunities and the impacts that may arise. If a risk arises, by considering the use of the existing resources to maximize the benefits, the characteristics of the risk must be taken into consideration, the level of risk, and the investment or resources that must be used in that option compared with the expected results. As such, the Risk Management Committee will assign the risk owner of each department to indicate the key risk indicator (KRI) and key performance indicator (KPI) to evaluate the success of the active plan. There are 4 options to manage the risks:

- 6.1 Avoid: Are high risks, or the department may not be able to accept that risk. As such, there is an impact on the organization, projects, activities, or procedures, and there is no approach that can manage them. Thus, that risk must be managed by ceasing the project, or reducing the set activities of that project.
- 6.2 Share: Is the dissemination or transfer of the risks to other departments, both internal and external, especially in the case that the risk is deemed to be unexpected or preventable, or severe; such as, natural disasters or has various casualties. Thus, the department cannot deal with such risk, so it may have to disseminate or transfer the risks with insurance, or in the case that the risk may arise from the inexperience of the personnel in the department, then an advisor may be hired.
- 6.3 Reduce: Is the reduction or control of the risk in the case that the department considers those risks arose from internal factors or reasons that the department can reduce or control through an internal control method, or improve the working system by redesigning the operational method in order to decrease the opportunity that initiate damages or effects at a level that the department can accept; for example, provide personnel with training, arrange an operational manual to decrease the risks from errors, or if risks arising from external factors, then may use various strategies or measures to reduce the consequences or intenseness of risk.
- 6.4 Accept: Is a risk that a department can accept, or is a low-level risk, or an external risk that has a high investment cost that is not worth the results, or a risk that is beyond the organization's control, or may occur from uncontrollable external factors but the Company needs to take action to achieve its goal; such as, government policy, law, etc.

## **7. Monitoring**

Is the following-up and evaluation of the risk plan in accordance with the risk owner has established by analyzing and evaluating whether the risk management is effective. If the department has implemented the risk management plan, the risk that may not be accepted and still exists must be assessed to find its level of intenseness and the management method. Then, the issue must be proposed to the Executive and Risk Management Committee to advise and allocate budget to support.

## **8. Information & Communication**

Integrated risk management will arise and can be conducted continuously with support from the Executive of the Company and cooperation from all personnel within the organization. Therefore, for all personnel within the organization to understand and acknowledge their role in the integrated risk management system of the Company completely and thoroughly, there must be an effective information and communication systems program, including in public relations, training to provide knowledge, as well as for following-up the ongoing management. At present, the Company communicates via the Executive and Risk Management Committee meetings and invites risk owners to report on the real situation that occurs after arranging the set observe the progress in risk management plan in each department.

## ANTI-CORRUPTION POLICY

The Board of Directors, Executives and employees of the Company and its subsidiaries (if have) are prohibited from all kinds of corruption that leads to an abuse of power to seek direct and indirect advantage for themselves, family, friends and acquaintances. This includes cases that an individual is the recipient and benefactor, both in monetary or non-monetary for a government agency or private sector that the Company is undertaking business or has contact with; such as, accepting objects, gifts, being entertained, donations/solicited funds, or other advantages for one self from persons that conduct business with the Company. The anti-corruption policy must be strictly complied.

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

### Definition

**Fraud or 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, ethics, and the law, regulations or policy with a government official or other persons that conducts business with the Company in order to gain or maintain any other advantage that is inappropriate to the organization, one's self or another related party, whereby there is an exception for cases allowed by law, the regulations, announcements, local norms and traditions, or trading traditions.

**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 or other aspects to support any political activity. Financial contributions include providing loans. Other contributions may include providing objects or services, advertising for or supporting a political party, purchasing tickets to a fundraising event, or donation to an organization with an intimate relationship

with a political party. This includes launching opportunities for employees to have unpaid leave from the Company, or be a representative of the Company to participate in a political campaign that is also defined as a political contribution.

**Gift** refers to money or objects that can be traded for cash; such as, a gift card, voucher or gift check, or any object or privilege traded between a company and a contact person with the company by amicability, norm, traditions, or social etiquette practice; such as, a gift.

**Charitable donations** refer to the giving of money, objects or other benefits to a government agency, the private sector, juristic person or 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 needy students, etc.

### Responsibilities

1. The Remuneration Nomination and Corporate Governance Committee proposes the anti-corruption policy to the Board of Directors for consideration.
2. The Board of Directors is responsible for considering and approving the anti-corruption policy and assigning the Executive to initiate measures to combat corruption to the employees, including supervise a system that effectively supports anti-corruption to ensure that all Company employees understand and are aware of the importance of problems that may occur from corruption.
3. The Risk Management Committee is responsible for evaluating the possibility of corruption and proposes this to the Board of Directors to be utilized as guidelines for the Internal Audit Department for planning, auditing and following-up.
4. The Audit Committee has the following duties and responsibilities:
  - 4.1 Review the audit reports, internal control system and risk evaluation related to corruption in accordance with the Internal Audit Department's proposal to ensure that the aforementioned system has the least impact of risk to the financial position and operating results of the Company and have appropriateness for the Company's business model.
  - 4.2 Review the results of the report of the internal control systems and fraud risk evaluation to the Board of Directors.

5. The internal audit department has the following duties and responsibilities:
  - 5.1 Perform the stipulated duties in accordance with the internal audit plan and propose the internal audit control system and risk evaluation on corruption that occurs from the internal control system to the Audit Committee for acknowledgement.
  - 5.2 Perform any task assigned by the Audit Committee regarding the detection of fraud related to other organizations from the internal audit plan.
6. The Executives are responsible in establishing a system for the promotion and supporting of combatting corruption by communicating with the employees and relevant parties acknowledgement, as well as reviewing the appropriateness of the system and various measures to conform with the changes of the Company's business and laws.
7. The Board of Directors, Executives and employees are responsible for strictly complying with and supporting the anti-corruption policy by not becoming involved with any direct and indirect acts of corruption. In the case that an employee have any 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.
6. The Company conducts business with political neutrality by not providing any political contributions or support to a political party or a politician in any format, including not encouraging the Board of Directors, Executive or employees to participate any political activity representing the Company. The Company understands it is an individual's right and freedom in accordance with the law to participate political activity. However, one must not claim to be an employee of the Company or use the Company's property to support any political activity, or perform any act misleading about the Company's political participation or support. An expression and opinion regarding politics in the office or the Company area is deemed as an offense in accordance with the Company's regulations.
7. Charitable donations and financial support to any organization must be done transparently and strictly in accordance with the ethics, morals, law and the related Company policy and regulations. 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. The Board of Directors and Executive must be aware of the importance of knowledge dissemination, provide advice to generate understanding about combatting corruption to the subordinates for them to comply with the anti-corruption policy, including be a good role-model in having honesty, morals and ethics.

## Best Practices

1. Offering and accepting a bribe, or money, or compensation or any benefit that might cause or be considered as corruption is prohibited.
2. Any operation or becoming involved in any illegal business is not allowed.
3. In the case of procurement or hiring must be conducted in accordance with the Company's regulations and must be transparent and verifiable.
4. In making a trade agreement with a business partner, the employee must avoid providing or accepting any object regarding the negotiation, contract and operation promised. Any gift provided or accepted must be done in accordance with the related Company policy and regulations strictly.
5. The employee must not attempt to influence a business partner and competitor illegally and unethically, be it providing privileged assistance, offering or accepting a gift and entertainment, or other benefits.

## Measures/Operation

Focus on raising awareness about combatting corruption and bribery by communicating within the Company for the Board of Directors, Executive and employees to understand and acknowledge the importance of combatting corruption and bribery, including the related policy and various regulations through employee meetings, training, seminars and the Company's media, as well as employees with duties relevant with the Company's stakeholders is responsible for informing the stakeholders to acknowledge the policy via the various communication channels.



### Dissemination of the Anti-corruption Policy

The Company complies with the law of Thailand in combatting corruption and allows all individuals inside and outside the Company to acknowledge the anti-corruption policy. As such, the Company will proceed as follows:

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

### Complaints Policy and Guidelines for Reporting Wrongdoing

The scope of complaints and guidelines for reporting wrongdoing when in doubt or witness an act of violation should abide by good practices in the following issues

- Violation of the compliance with the principles and guidelines of the Company's good corporate governance policy.
- Violation of the Company's rules and regulations.
- Receiving unfair treatment while working.
- Actions deemed as fraud, corruption and bribery, or actions that cause any suspicion and have a negative impact on the organization, the employee should enquire or consult with a trusted supervisor of any level. If the employee does not feel comfortable or is unsure of doing so, the employee can report the issue directly as per the details in a complaints channel.

### Complaints Channel

The employees are able to file a complaint or related information via the following channel:

1. Report the issue via a comment box at each plant and each distribution center of the Company.
2. Contact/report to the person in charge as follows:
  - 2.1 Chairman of the Audit Committee  
Dr. Vicharn Aramvareekul  
E-mail : [huang\\_vc@yahoo.com](mailto:huang_vc@yahoo.com)
  - 2.2 Chairman of the Remuneration Nomination and Corporate Governance Committee  
Mr. Kriengkrai Rakkulchon  
E-mail : [kriangkraiukk@gmail.com](mailto:kriangkraiukk@gmail.com)
  - 2.3 Assistant Director of the Internal Audit  
Mr. Naritchai Bhureepongsanont  
E-mail : [naritchai.bhu@pacificpipe.co.th](mailto:naritchai.bhu@pacificpipe.co.th)

Thus, the Company allows all stakeholders to report issues when they need to lodge a complaint or find information about the Company's performance that are against the good corporate governance policy and/or ethics and code of conducts. If there are any additional questions or recommendation, these can be informed to complaints channel as follows:

- Send an e-mail directly to the responsible person in accordance with the list in Items 2.1 – 2.3.
- Send a letter by mail to:

**The Remuneration Nomination and  
Corporate Governance Committee  
Pacific Pipe Public Company Limited  
Address : 1168/74, 26th Floor, Lumpini Tower Building  
Rama IV Road, Sathon, Bangkok 10120**

### Process after Receiving a Complaint

#### 1. Collection of the Facts

The complaint receiver will compile the facts and then report to the Secretary of the Remuneration Nomination and Corporate Governance Committee.

#### 2. Screening and Investigating the Data

The Secretary of the Remuneration Nomination and Corporate Governance Committee will invite a representative to scrutinize and investigate the data within 3 days. The representative will participate in the investigation as follows:

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

##### Investigator Team :

1. Chairman of the Audit Committee
2. Chairman of the Remuneration Nomination and Corporate Governance Committee
3. Assistant Director of the Internal Audit Department

#### CASE B : In addition in CASE A

##### Investigator Team :

1. CFO or COO
2. Assistant Director of the Internal Audit Department
3. Assistant Director of the Human Resources Department

Secretary of the Remuneration Nomination and Corporate Governance Committee attends as an observer.

### 3. Set the Operation Measures

The Secretary of the Remuneration Nomination and Corporate Governance Committee will be the person who summarizes the report and proposes the complaint's operation measures, and propose to

**The summary of CASE A is proposed to the Board of Directors.**

**The summary of CASE B is proposed to the Chief Executive Officer (CEO).**

### **Reporting of the Operations and Investigation**

The Assistant Director of the Internal Audit Department and Secretary of the Remuneration Nomination and Corporate Governance Committee will report the result of all the operations that have been conducted to the Executives and the Board of Directors. If the corporate governance policy has a cancellation of one of the requirements, then that cancellation must be approved by the Board of Directors and the cancelled item must be disclosed immediately in accordance with the law.

### **Measures for the Protection of Complainants or Informants**

1. The Company will keep the information and identity of the complainant and respondent to be confidential.
2. The Company will disclose sufficient information by taking into account the safety and damage of the reporter, source of information, or related party.
3. The party receiving the damages shall receive appropriate and fair damage mitigation.
4. The Company will not act unfairly to the reporter or complainant.

### **Penalty for Violation**

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

### **Frequency of the Policy Review**

Every year or when there is a significant change.

## AUDIT COMMITTEE REPORT

The Board of Directors of Pacific Pipe Public Company Limited has approved the appointment of the 3 independent directors in which all are qualified and have complete qualifications in accordance with the Stock Exchange of Thailand. These directors are as follows:

- |                                   |           |
|-----------------------------------|-----------|
| 1. Dr. Vicharn Aramvareekul       | Chairman  |
| 2. Ms. Piyanus Chaikajornwat      | Director  |
| 3. Mrs. Udomwara Dechsongjarus    | Director  |
| And Mr. Naritchai Bhurepongsonond | Secretary |

For the fiscal year of 2019, the Audit Committee performed their tasks independently and completely as assigned by the Board of Directors by holding meetings with the Executive, the External Auditor and Internal Auditor in order to jointly propose the information and/or exchange opinions on the relevant agenda. The Audit Committee had the Internal Auditor Department as the tools to conduct their tasks in accordance with the Charter. The Internal Auditor Department reported to the Audit Committee which enabled the Internal Auditor Department to perform its duties independently and transparently in accordance with the good corporate governance in order to protect the company's benefits rightly and access to adequate information. Throughout 2019, 6 meetings were held, which included 4 meetings with the External Auditor without the Executive. The crucial performances of the Audit Committee can be summarized as follows:

### Financial Statements

Reviewed the quarterly financial statements and annual financial statement of 2019 by consulting with the external auditors and considering their recommendations on the internal control system. The Audit Committee has found that the company's financial reports were prepared in conformity with the accepted accounting standards and with the disclosure of adequate information.

### Connected Transactions

Reviewed and provided opinion on the connected transactions or transactions with a conflict of interest in order to ensure that those connected transactions were conducted with fairness and for the utmost benefits of the Company in which the Company had practiced the policy of good corporate governance by implementing transparency and disclosing adequate information. The significant transaction was considering the renewal of the office building lease agreement.

### Internal Audit

Approved the audit plan and workforce for the year of 2019 including the consideration of the adequacy of personnel development of the internal audit team for achieving the annual audit plan and verified the result of the performance and the recommendations of the Internal Auditor Department including the result of the inspection and the follow-up of the improvement in accordance with the recommendations. The Audit Committee gave importance to the quality of the internal control, the accuracy and reliability of the financial reports, as well as the compliance with the policy, regulations and related laws. In conclusion, the internal auditing of the Company was performed independently, adequately and effectively.

### Good Corporate Governance

Pursued the communication and dissemination of the code of conduct for the Company's employees, which required the related employees to report every time the names of the related persons, the shareholding report for each quarter that might involve a conflict of interest, or the connected transactions to the Audit Committee acknowledge each time, so this could be reported to the Board of Directors of the Company. In 2019, there was no transaction significantly involved with a conflict of interest.

**Performance of the Audit Committee**

Proposed the auditing results of the Audit Committee to the Company's Board of Directors acknowledgement in every meeting of the Board of Directors by offering opinions and recommendations benefiting the operation of the Executive that it took into consideration and adapted appropriately in accordance with the recommendations. Consideration was also given to the evaluation of the performance of the Audit Committee for the year of 2019 that was evaluated by the Board of Directors and that performance was taken into consideration for further improvement of their tasks.

**Company's Auditors**

Evaluated the independency of the Company Auditors and offered opinions on the remuneration of the auditors to propose to the Board of Directors to request for approval in the Annual General Meeting of the Shareholders 2020 for the appointment of the auditors from EY Office Company Limited for the year of 2020.

For the various above-mentioned activities throughout the year of 2019, the Audit Committee found that the Board of Directors and the Executive had held the policy of good governance as having importance and adhered to the business ethics by striving their operation toward the achievement of the Company's objectives with good professional quality and conducted the operation in accordance with the policy, rules of good conduct and the relevant laws. The activities included the development of the risk management as a crucial part in order to achieve the utmost efficiency and to promote the internal audit system to achieve an effective and appropriate result. This included the independency of the internal audit and the auditing processes that was conducted in accordance with international standards of professional internal auditing. There was development of the operations of the internal audit system which was continuously improved as well.

On behalf of the Audit Committee.



**Dr. Vicharn Aramvareekul**

Chairman of the Audit Committee

February 19, 2020

## REMUNERATION NOMINATION AND CORPORATE GOVERNANCE COMMITTEE REPORT

The Remuneration Nomination and Corporate Governance Committee consisted of 2 independent directors and 1 executive director who have three-year terms from February 5, 2018 – February 4, 2021. The Committee members are as follows:

1. Mr. Kriengkrai	Rakkulchon	Chairman
2. Ms. Viriya	Ampornnapakul	Director
3. Ms. Piyanus	Chaikajornwat	Director
And Ms. Patcharin Juanchainart		Secretary

The Remuneration Nomination and Corporate Governance Committee conducted the duties assigned by the Board of Directors strictly under the principles in accordance with Company's Good Corporate Governance policy. In 2019, the Remuneration Nomination and Corporate Governance Committee arranged 5 meetings to consider significant issues under their responsibility which are summarized as follows:

### 1. Nomination


1. Reviewed the structure of the Board of Directors and nominated qualified persons to propose their appointment to replace those directors who had resigned by considering their various knowledge, abilities, skills and expertise. This was beneficial to the Company's operation, including the size of the Board of Directors' structure and composition that was appropriate to promote the good corporate governance and efficient management, and complied with the regulations of The Stock Exchange of Thailand and related organizations.
2. Considered the criteria and methods for nominating top executives with the Chief Executive Officer and proposed to the Board of directors.

### 2. Remuneration

1. Considered the rate of compensation for the Company's Board of Directors and various sub-committees by comparing the compensation in the same level in the same industry. This was combined with the Company's operating results, and the appropriateness with responsibilities of the Board of Directors.

2. Considered the criteria and methods for the retirement award of the Chief Executive Officer and proposed this to the Board of Directors.
3. Considered the compensation and welfare for the Chief Executive Officer by specifying concrete evaluation criteria, which the consideration would result from the performance compared to the set target, as well as the growth of the sales volume and net profit.

### 3. Corporate Governance

1. Reviewed the charter of the Remuneration, Nomination and Corporate Governance Committee to update the information and to comply with the Company's good corporate governance.
2. Reviewed and revised the 2019 policy and publicized it to the employees for their acknowledgment as follows:
  - 2.1 Good corporate governance, ethics and code of business conduct.
  - 2.2 Director's guidelines.
  - 2.3 Reviewed the anti-corruption policy
3. The evaluation result of the 2019 corporate governance report of a Thai listed company was reported to be "Excellent" (  ) by the Thai Institute of Directors (IOD).
4. The report of the corporate social responsibility activities concretely and focused on activities in the CSR-in-process.
5. Prepared the operational reports of the Company's corporate social and environmental responsibility to communicate to all stakeholders of the organization.
6. Reviewed the appropriateness of the evaluation forms, which were:
  - Performance evaluation forms for the Board of Directors.
  - Performance evaluation forms for individual directors.
  - Performance evaluation forms for the Remuneration Nomination and Corporate Governance Committee.
  - Performance evaluation forms for the Chief Executive Officer.



7. The result of the Board of Directors' performance evaluation was informed for all directors acknowledgement and encouraged discussions and the expression of opinions on the 2019 directors' performance result. The result of the performance evaluation of the Remuneration Nomination and Corporate Governance Committee was assessed by the Board of Directors.

The Remuneration Nomination and Corporate Governance Committee conducted its duties assigned with cautiousness, logically and with independence under no control of the Executive. In 2019, the directors were compensated according to the 2019 Remuneration Committee report. Consideration was given to a comparison of the remuneration

of directors of Thai Institute of Directors (IOD), the Stock Exchange of Thailand compared with an overview of all listed companies in the same industry with comparable sales volume and net profit. The Remuneration Nomination and Corporate Governance Committee thus considered the appropriate fairness for the Company and the directors that complied with their responsibility. The Board of Directors agreed and proposed the compensation for the consideration of the shareholders meeting by considering the benefits of small shareholders in accordance with the principles of good corporate governance.



**Mr. Kriengkrai Rukkunchon**

Chairman of Remuneration Nomination and Corporate Committee  
January 22, 2019

## EXECUTIVE AND RISK MANAGEMENT COMMITTEE

The Executive and Risk Management Committee consisted of 3 executive directors with three-year terms since February 5, 2018 – February 4, 2021. The members of the Committee are listed as follows:

1. Mr. Somchai	Lekapojpanich	Chairman
2. Miss Viriya	Ampornnapakul	Director
3. Miss Thitima	Vatanasakdakul	Director
And Miss Nantana	Lakkham	Secretary

In 2019, there were 12 Executive and Risk Management Committee meetings for considering important issues and their responsibilities. This can be summarized as follows:

1. Proposed the target, business strategy, budget and annual plan to the Board of Directors, as well as undertook its responsibilities to manage all activities in accordance with the policies, strategic directions and set targets.
2. Followed-up on the overall business operations of the company each month together with proposed recommendations to the Executive.
3. Considered the investments with caution with logic by upholding the best interests of the Company and its shareholders.
4. Reviewed the existing Charter for the Executive and Risk Management Committee in order that these operating guidelines remained appropriate with the current situation.
5. Supervised, promoted, and supported the Executive and employees to know and understand the Company's various policies, which had been approved by the Board of Directors; such as, the anti-corruption policy.

### 6. Risk management:

- 6.1 Arranged the evaluation of the corporate risk by considering both the external and internal factors, including evaluating the risk related to corruption to ensure that the Company had adequate, appropriate and timely controls to mitigate those risks arising from the changing economic environment.
- 6.2 Considered screening the organizational risk factors that could impact the strategy, operations, financial base, and other aspects from all risk factors determined by the risk owner based on the effectiveness of the current internal control, and prioritized the overall residual risk.
- 6.3 Considered the appropriateness and value of the action plan that the Department's Executive had arranged and advised to ensure that the risk would be managed and controlled at an appropriate level that the organization could accept.
- 6.4 Followed-up the progress, efficiency and effectiveness of the risk management at each level and regularly reported to the Board of Directors.



**Mr. Somchai Lekapojpanich**

Chairman of the Executive and Risk Management Committee  
January 22, 2020

## REPORT ON THE RESPONSIBILITY OF THE BOARD OF DIRECTORS FOR THE FINANCIAL REPORT OF 2019

The Board of Directors is responsible for the financial reports of the Company and its subsidiaries and places importance by complying with the good corporate governance policy. This is to ensure that the financial report of the Company and its subsidiaries and other financial information appearing in the annual report is accurate, complete and conducted in accordance with the accepted accounting principles by selecting the accounting policies and/or practices that are appropriate and regularly applied. Use reasonable discretion carefully in the accounting estimates, including ensure that important information is adequately disclosed and audited with an unqualified opinion by an independent certified public accountant.

The Board of Directors provided an appropriate and efficient internal control system to ensure that the financial information was accurate, complete and adequate for maintaining the assets, as well as for preventing corruption or any significant unusual operations. In this regard, the Board of Directors appointed the Audit Committee that comprised independent directors to review the appropriateness and effectiveness of the internal control system and internal auditing.

The financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries were examined by a Certified Public Accountant, EY Office Limited. To conduct the audit, the Board of Directors provided support of the information and various documents to allow the auditor to audit and express opinions in accordance with the accepted auditing standards. The auditor's opinion was presented in the auditor's report included in this annual report.

The Board of Directors was of the opinion that the Company's overall internal control system had functioned at a satisfactory level and rendered credibility and reliability to the financial report of the Company and its subsidiaries for the year ending December 31, 2019, with reliability, by adhering to the accepted accounting principles and operating correctly in accordance with the relevant laws and regulations.



**Mr.Somchai Lekapojpanich**

Chairman

January 22, 2020

## ANALYSIS AND EXPLANATION BY THE EXECUTIVE

### 1. Summary of the Operations

For the steel industry in 2019, the domestic steel consumption decreased around 4.5% from the previous year because of the effect from the trade war and delay in the 2020 government budget, as well as the trend of the declining world steel price, which dropped considerably from the previous year. Thus, in 2019, this resulted in the Company's operations having a sales volume (ton) that decreased by 0.90% and the total revenue (Baht) decreasing by 6.09%. The total revenue was 9,336.94 million Baht; however, the Company's net profit was 71.52 million Baht, which was a decrease of 23.91% from the previous year.

### 2. Results of the Operations for the Year 2019

For the Company's performance in 2019, the Company reported sales and service income of 9,148.42 million Baht, which was a decrease from 2018 of 546.20 million Baht or 5.63%. The Company had net profit of 71.52 million Baht or 0.78% of the sales and service income, and earnings profit per share (EPS) was 0.11 Baht.

The calculated gross margin of the Company was 6.56% from the total revenue, a decrease when compared

to the previous year's gross margin of 6.67% from the total revenue. This resulted from the continuous declining trend of the world steel price compared to the same period of the previous year.

### Revenue

For fiscal year ending December 31, 2019, the Company reported sales and service income of 9,148.42 million Baht, which was 97.98% of the total revenue or a decrease of 5.63% from 2018. The total revenue from sales could be categorized into domestic sales of 8,949.10 million Baht and export sales of 69.19 million Baht, or accounting for 99.23% and 0.77%, respectively. The total revenue of the Company decreased from 9,942.69 million Baht in 2018 to 9,336.94 million Baht in 2019, or a decrease of 6.09%.

In addition, the Company's revenue could be categorized by customer group as shown in the table below. The customer group that had the highest growth rate was the industrial group that had sales amounting to 941.10 million Baht, an increase over the year 2018, totaling 123.54 million Baht, or approximately 15.11%.

Product Distribution	2017		2018		2019	
	Million (Baht)	(%)	Million (Baht)	(%)	Million (Baht)	(%)
1. Dealer	6,299.58	78.41	7,126.60	73.51	6,460.59	70.62
2. Project	1,152.34	14.34	1,485.29	15.32	1,616.59	17.67
3. Industrial	465.23	5.79	817.56	8.43	941.10	10.28
4. Other	3.67	0.05	150.74	1.55	0.56	0.01
Total Revenue from Product Sales	7,920.82	98.59	9,580.19	98.81	9,018.84	98.58
Service Income	113.48	1.41	114.43	1.19	129.57	1.42
Total Revenue from Sales and Service	8,034.30	100.00	9,694.62	100.00	9,148.41	100.00

### Cost of Sales and Service

In 2019, the Company reported the cost of sales and service of 8,724.26 million Baht, or 93.44 % of the total revenue compared to the year 2018 of 9,279.39 million Baht, or 93.33% of the total revenue.

### Sales and Administrative Expenses

In 2019, the Company reported sales and administrative expenses of 465.40 million Baht, which was a decrease from 2018 of 24.30 million Baht or a decrease of 4.96%. This result came from the improvement in administrative expense to be appropriate with the current operational conditions.

## Return on Equity

In 2019, the Company had a net profit of 71.52 million Baht. The return on equity was 2.91%, which was a decrease from the return on equity of 3.88 % in 2018. This was due to the net profit that decreased in the part of the explanation of the operating results.

## Financial Status

### Assets

#### Total assets

At the end of the year 2019, the Company had total assets of 4,390.37 million Baht, which was a decrease from 2018 of 524.39 million Baht or a decrease of 10.67%. This was due to the decrease in the inventory, accounts receivable and advance payment for the raw materials.

#### Accounts receivable

The accounts receivable in 2019 was 915.83 million Baht, which was a decrease from 2018 of 127.43 million Baht or a decrease of 12.21%. The accounts receivable is shown in the table below.

(Unit : Million Baht)

The outstanding amount on the basis of the due dates	2017	2018	2019
Not yet due	682.15	723.99	630.20
Past due			
Up to 3 months	225.39	263.23	233.35
3 - 6 months	9.37	20.78	11.74
6 - 12 months	2.04	29.23	13.50
Over 12 months	7.80	11.73	50.03
Total	926.75	1,048.96	938.82
Less: Allowance for doubtful debts	(8.19)	(23.10)	(38.97)
Total trade receivables - net	918.56	1,025.86	899.85
Other receivables - unrelated parties	9.69	17.40	15.98
Total trade and other receivables - net	928.25	1,043.26	915.83

#### Inventory

At the end of 2019, the Company had an inventory of 1,312.63 million Baht, which was a decrease from the year 2018 of 188.94 million Baht or 12.58%. This was because the steel price was lower than the previous year. Moreover, average product sales lead time of the Company in 2019 was 59 days that was slower than the previous year, which was 58 days, but still adhered with the Company's policy of storing inventory.

## Property, plant and equipment

The Company had property, plant and equipment of 1,808.84 million Baht which was a decrease from the year 2018 of 43.74 million Baht or 2.36%. This was because the company had no important investment for this year. When deducting the accumulated depreciation, the value of the property, plant and equipment had decreased from the previous year.

## Liquidity

The Company's current ratio for 2019 and 2018 was 1.43 and 1.29, respectively, while its cash cycle ratio in 2019 and 2018 were 13 and 9 days, respectively. The Company's interest coverage ratio at the end of 2019 and 2018 were 2.63 and 3.15, respectively.

During the year 2019, the company had a cash flow from the operating activities of 592.15 million Baht due to the decrease in the accounts receivable, inventory and advance payment for the raw materials. Statements of the cash flows classified by activities are shown in the table.

(Unit : Million Baht)

Cash Flow	2017	2018	2019
From operations - acquired (used)	(174.66)	(79.68)	592.15
From investment - acquired (used)	(174.50)	(55.24)	(77.72)
From procurement - acquired (used)	378.34	38.81	(611.39)
Net increase in cash (decrease)	29.18	(96.11)	(96.96)

## Source of Funds

### Liabilities

The Company's total liability was reduced to 1,931.42 million Baht in 2019 or a decrease of 562.86 million Baht from the previous year. In the year 2019, the Company's short-term loan from financial institutions was 1,614.52 million Baht, a decrease of 578.06 million Baht from the previous year due to the decrease in the working capital.

## Shareholders' Equity

In 2019, the shareholders' equity of the Company was 2,458.94 million Baht, which was an increase of 38.46 million Baht or 1.59% over the year 2018.



### Capital Structure

The debt to the equity ratio of the Company at December 31, 2019, and 2018 were 0.79 and 1.03, respectively due to the reduced borrowing from financial institutions as described in the section Liabilities above.

### Obligations

The Company had operating lease obligations relating to the leasing of land and motor vehicles with related parties and other companies. The contract periods were between 3 to 13 years in 2019.

## **3. Factor Impacting Future Operational Results**

### **Risk from Material Price Fluctuation and Inventory**

The risk of the price fluctuation of the raw materials and the storage of the Company's quantity of the main raw materials, which was hot-rolled steel plate had a tendency

to change according to the world steel prices. Thus, the risk from the fluctuations in the raw material prices was a significant factor because when the world steel price decreased dramatically, then there would possibly be the risk from the increased prices of raw materials, or in the case that the prices did not increase, this would have an impact on the sales price. Moreover, such risk would arise from the external factors, which would be beyond the Company's control. However, the Company has initiated a risk reduction strategy:

- (1) Increase following-up the global steel price and take caution when purchasing raw materials.
- (2) Maintain the quantity of the raw materials and inventory at appropriate levels.

For more risks that will impact the operational results of the company in the future, investors can study the information and obtain more details under the headline "Risk Factors" page 20.



## **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 2019, 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 2019, their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

### **Basis for Opinion**

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

### **Emphasis of Matter**

I draw attention to Note 10 to the financial statements, on 1 December 2019, the Company acquired the entire business transfer of two subsidiaries at the book values of their assets and liabilities. My opinion is not qualified in respect of this matter.

## Key Audit Matters

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

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

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

### *Revenue recognition from sales transactions*

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

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

### *Provision for diminution in value of inventory*

Estimating the net realisable value of inventory, as disclosed in Note 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, reviewed the consistency of the application of that basis, performed a comparison of gross profit rate and compared 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: 19 February 2020



## Pacific Pipe Public Company Limited and its subsidiaries

## Statement of financial position

As at 31 December 2019

(Unit: Baht)

		<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<b>Note</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	7	282,048,479	379,003,686	263,870,669	255,593,868
Trade and other receivables	8	915,826,458	1,043,256,557	919,614,281	675,114,890
Unbilled receivables		9,332,831	-	9,332,831	-
Inventories	9	1,312,632,846	1,501,568,491	1,312,632,846	1,434,772,591
Advance payment for raw material		17,789,629	100,601,642	17,789,629	94,202,619
Other current assets		17,565,439	5,906,734	17,565,439	5,220,880
<b>Total current assets</b>		<b>2,555,195,682</b>	<b>3,030,337,110</b>	<b>2,540,805,695</b>	<b>2,464,904,848</b>
<b>Non-current assets</b>					
Investments in subsidiaries	10	-	-	1,799,460	110,996,100
Property, plant and equipment	11	1,808,842,209	1,852,585,920	1,808,842,209	1,805,243,707
Intangible assets	12	25,634,513	28,112,596	25,634,513	28,099,737
Deferred tax assets	18	-	3,076,810	-	-
Other non-current assets		693,910	645,384	693,910	63,550
<b>Total non-current assets</b>		<b>1,835,170,632</b>	<b>1,884,420,710</b>	<b>1,836,970,092</b>	<b>1,944,403,094</b>
<b>Total assets</b>		<b>4,390,366,314</b>	<b>4,914,757,820</b>	<b>4,377,775,787</b>	<b>4,409,307,942</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 2019

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2019	2018	2019	2018
Liabilities and shareholders' equity					
Current liabilities					
Short-term loans from financial institutions	13	1,614,522,350	2,192,583,545	1,614,522,350	2,029,177,542
Trade and other payables	14	146,789,672	115,458,789	146,789,472	80,003,527
Income tax payable		2,774,783	5,055,501	2,723,658	-
Other current liabilities		25,322,332	32,945,399	25,321,159	16,214,569
Total current liabilities		1,789,409,137	2,346,043,234	1,789,356,639	2,125,395,638
Non-current liabilities					
Deferred tax liabilities	18	106,340,353	114,657,560	103,887,280	114,657,560
Provision for long-term employee benefits	15	32,813,478	31,050,269	32,813,478	28,494,376
Deferred rental expenses		2,858,935	2,530,992	2,858,935	2,530,992
Total non-current liabilities		142,012,766	148,238,821	139,559,693	145,682,928
Total liabilities		1,931,421,903	2,494,282,055	1,928,916,332	2,271,078,566
Shareholders' equity					
Share capital					
Registered					
660,000,000 ordinary shares of Baht 1 each		660,000,000	660,000,000	660,000,000	660,000,000
Issued and fully paid up					
660,000,000 ordinary shares of Baht 1 each		660,000,000	660,000,000	660,000,000	660,000,000
Share premium					
Share premium on ordinary shares		514,845,000	514,845,000	514,845,000	514,845,000
Surplus on treasury shares		1,010,911	1,010,911	1,010,911	1,010,911
Retained earnings					
Appropriated - statutory reserve	16	67,000,000	67,000,000	67,000,000	67,000,000
Unappropriated		830,806,611	792,337,965	820,721,655	510,091,576
Other components of shareholders' equity		385,281,889	385,281,889	385,281,889	385,281,889
Total shareholders' equity		2,458,944,411	2,420,475,765	2,448,859,455	2,138,229,376
Total liabilities and shareholders' equity		4,390,366,314	4,914,757,820	4,377,775,787	4,409,307,942

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

Directors

## Pacific Pipe Public Company Limited and its subsidiaries

## Statement of comprehensive income

For the year ended 31 December 2019

(Unit: Baht)

		<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<u>Note</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<b>Profit or loss:</b>					
<b>Revenues</b>					
Sales and service income	6	9,148,416,783	9,694,615,605	8,918,685,937	8,904,280,896
Exchange gains		2,200,742	7,465,488	2,200,742	7,470,445
Dividend income	10	-	-	290,681,587	37,014,774
Other income		186,327,269	240,608,176	182,906,188	230,938,461
<b>Total revenues</b>		<b>9,336,944,794</b>	<b>9,942,689,269</b>	<b>9,394,474,454</b>	<b>9,179,704,576</b>
<b>Expenses</b>					
Cost of sales and services		8,724,260,125	9,279,390,706	8,525,408,359	8,576,224,805
Selling and distribution expenses		178,841,956	180,621,123	191,785,223	188,287,875
Administrative expenses		286,556,496	309,081,443	264,498,487	269,773,061
<b>Total expenses</b>		<b>9,189,658,577</b>	<b>9,769,093,272</b>	<b>8,981,692,069</b>	<b>9,034,285,741</b>
<b>Profit before finance cost</b>					
<b>and income tax expenses</b>		147,286,217	173,595,997	412,782,385	145,418,835
Finance cost		(56,037,348)	(55,047,872)	(54,650,097)	(51,398,586)
<b>Profit before income tax expenses</b>		91,248,869	118,548,125	358,132,288	94,020,249
Income tax expenses	18	(19,732,019)	(24,552,837)	(13,454,296)	(13,404,622)
<b>Profit for the year</b>		<b>71,516,850</b>	<b>93,995,288</b>	<b>344,677,992</b>	<b>80,615,627</b>
<b>Other comprehensive income:</b>					
Other comprehensive income not to be reclassified to profit or loss in subsequent periods					
Actuarial gains (losses)	15	-	3,327,812	(1,309,892)	(1,731,795)
Less: Income tax effect	18	-	(665,563)	261,979	346,359
<b>Other comprehensive income for the year</b>		<b>-</b>	<b>2,662,249</b>	<b>(1,047,913)</b>	<b>(1,385,436)</b>
<b>Total comprehensive income for the year</b>		<b>71,516,850</b>	<b>96,657,537</b>	<b>343,630,079</b>	<b>79,230,191</b>
<b>Earnings per share</b>					
19					
Basic earnings per share					
Profit for the year		0.11	0.14	0.52	0.12

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 2019

(Unit: Baht)

	Consolidated financial statements									
	Retained earnings					Other components of equity				
	Other					comprehensive income				
	Issued and fully paid-up share capital	Premium on ordinary shares	Surplus on treasury shares	Appropriated - statutory reserve	Unappropriated	Surplus on revaluation of assets	Total shareholders' equity			
<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	2,581,216,824			
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 22)	-	-	-	-	(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			
<b>Balance as at 1 January 2019</b>	660,000,000	514,845,000	1,010,911	67,000,000	792,337,965	385,281,889	2,420,475,765			
Profit for the year	-	-	-	-	71,516,850	-	71,516,850			
Other comprehensive income for the year	-	-	-	-	-	-	-			
<b>Total comprehensive income for the year</b>	-	-	-	-	71,516,850	-	71,516,850			
Dividend paid (Note 22)	-	-	-	-	(33,048,204)	-	(33,048,204)			
<b>Balance as at 31 December 2019</b>	660,000,000	514,845,000	1,010,911	67,000,000	830,806,611	385,281,889	2,458,944,411			

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 2019

	Separate financial statements								(Unit: Baht)
	Issued and fully paid-up share capital	Premium on ordinary shares	Surplus on treasury shares	Retained earnings		Other components of equity		Total	
				Appropriated - statutory reserve	Unappropriated	Other			
						comprehensive income	Surplus on revaluation of assets		
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 22)	-	-	-	-	(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		
Balance as at 1 January 2019	660,000,000	514,845,000	1,010,911	67,000,000	510,091,576	385,281,889	2,138,229,376		
Profit for the year	-	-	-	-	344,677,992	-	344,677,992		
Other comprehensive income for the year	-	-	-	-	(1,047,913)	-	(1,047,913)		
Total comprehensive income for the year	-	-	-	-	343,630,079	-	343,630,079		
Dividend paid (Note 22)	-	-	-	-	(33,000,000)	-	(33,000,000)		
Balance as at 31 December 2019	660,000,000	514,845,000	1,010,911	67,000,000	820,721,655	385,281,889	2,448,859,455		

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 2019

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
<b>Cash flows from operating activities</b>				
Profit before tax	91,248,869	118,548,125	358,132,288	94,020,249
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	134,261,873	131,423,984	125,813,622	121,827,806
Bad debts	913,461	495,445	394,761	455,387
Allowance for doubtful accounts	15,870,875	14,904,468	3,516,240	5,128,964
Reduction of inventory cost to net realisable value	5,178,884	18,083,214	5,819,576	17,442,522
Reversal of allowance for impairment of advance payment for raw material	(1,780,671)	-	(1,780,671)	-
Loss on write-off/disposals of plant and equipment	662,332	272,968	170,128	296,253
Provision for long-term employee benefits	12,994,533	3,413,812	12,004,088	2,770,676
Deferred rental expenses	327,943	455,443	327,943	455,443
Unrealised loss (gain) on exchange	276,864	(16,142)	276,864	(16,142)
Dividend income	-	-	(290,681,587)	(37,014,774)
Interest income	(1,843,431)	(1,478,513)	(828,074)	(1,067,038)
Interest expenses	54,119,091	53,015,961	52,828,365	49,649,632
Profit from operating activities before changes in operating assets and liabilities	312,230,623	339,118,765	265,993,543	253,948,978
Operating assets (increase) decrease				
Trade and other receivables	110,645,763	(122,699,058)	(202,172,936)	72,328,768
Unbilled receivables	(9,332,831)	-	(9,332,831)	-
Inventories	183,756,761	(63,238,155)	116,320,169	(48,045,249)
Advance payment for raw material	84,592,684	(87,270,098)	78,193,661	(93,581,875)
Other current assets	(11,201,983)	5,903,485	(10,947,333)	21,891,372
Operating liabilities increase (decrease)				
Trade and other payables	22,803,873	(35,549,586)	31,063,024	(39,309,616)
Other current liabilities	(7,623,066)	13,310,447	1,572,763	5,448,281
Provision for long-term employee benefits	(11,231,324)	(2,204,300)	(11,231,324)	(2,061,000)
Cash flows from operating activities	674,640,500	47,371,500	259,458,736	170,619,659
Cash paid for interest expenses	(54,739,131)	(53,221,815)	(53,227,366)	(50,076,525)
Cash paid for corporate income tax	(27,754,477)	(73,829,135)	(18,989,996)	(55,926,976)
<b>Net cash flows from (used in) operating activities</b>	<b>592,146,892</b>	<b>(79,679,450)</b>	<b>187,241,374</b>	<b>64,616,158</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 2019

(Unit: Baht)

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<b>Cash flows from investing activities</b>				
Acquisition of plant and equipment	(79,550,412)	(54,689,826)	(78,713,923)	(53,009,458)
Acquisition of intangible assets	(4,949)	(2,076,956)	(4,949)	(2,076,955)
Cash paid for the entire business transfer of subsidiaries	-	-	(134,391,978)	-
Capital return from subsidiaries	-	-	109,196,640	-
Dividend income	-	-	290,681,587	37,014,774
Interest income	1,839,525	1,476,038	824,168	1,064,564
Proceeds from sales of equipment	-	48,556	-	25,192
<b>Net cash flows from (used in) investing activities</b>	<u>(77,715,836)</u>	<u>(55,242,188)</u>	<u>187,591,545</u>	<u>(16,981,883)</u>
<b>Cash flows from financing activities</b>				
Cash received from short-term loans from financial institutions	8,263,309,753	9,445,123,330	8,149,149,087	8,908,358,983
Cash paid for short-term loans from financial institutions	(8,841,647,812)	(9,148,913,947)	(8,564,081,144)	(8,720,424,748)
Dividend paid	(33,048,204)	(257,398,596)	(33,000,000)	(257,393,370)
<b>Net cash flows from (used in) financing activities</b>	<u>(611,386,263)</u>	<u>38,810,787</u>	<u>(447,932,057)</u>	<u>(69,459,135)</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(96,955,207)</u>	<u>(96,110,851)</u>	<u>(73,099,138)</u>	<u>(21,824,860)</u>
Cash and cash equivalents at beginning of year	379,003,686	475,114,537	255,593,868	277,418,728
Cash and cash equivalents of subsidiaries at the date of entire business transfer	-	-	81,375,939	-
<b>Cash and cash equivalents at end of year</b>	<u>282,048,479</u>	<u>379,003,686</u>	<u>263,870,669</u>	<u>255,593,868</u>
	-	-	-	-
<b>Supplemental cash flows information:</b>				
Non-cash transaction				
Acquisition of plant and equipment for which no cash has been paid	9,147,050	5,377,638	9,147,050	5,369,138

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 2019

#### 1. General information

##### 1.1 Corporate 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	
			<u>2019</u>	<u>2018</u>
			Percent	Percent
Tamose Trading Company Limited	Distribution of steel products	Thailand	99.99	99.99
Meesup Transport Company Limited	Transportation	Thailand	99.97	99.97

On 1 December 2019, the Company acquired the entire business transfer from Tamose Trading Company Limited and Meesup Transport Company Limited at the net book value of their assets and liabilities as described in Note 10 to the financial statements.

- 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 Group has 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 Group has adopted the revised (revised 2018) and new financial reporting standards and interpretations 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 adoption of these financial reporting standards does not have any significant impact on the Group's financial statements. However, the new standard involves changes to key principles, which are 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 recognised 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.

This standard does not have any significant impact on the Group's financial statements.

**(b) Financial reporting standards that will become effective for fiscal years beginning on or after 1 January 2020**

The Federation of Accounting Professions issued a number of new and revised financial reporting standards and interpretations, which are effective for fiscal years beginning on or after 1 January 2020. 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 except the following new standards which involve changes to key principles, which are summarised below.

**Financial reporting standards related to financial instruments**

A set of TFRSs related to financial instruments 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 Group expects the adoption of these accounting standards to result in the following adjustments.

- Recognition of credit losses - The Group is to recognise an allowance for expected credit losses on its financial assets, and it is no longer necessary for a credit-impaired event to have occurred. The Group applies the simplified approach to consider impairment of trade receivables.

The management of the Group is currently evaluating the impact of these standards on the financial statements in the year when they are adopted.

### **TFRS 16 Leases**

TFRS 16 supersedes TAS 17 Leases together with related Interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is low value.

Accounting by lessors under TFRS 16 is substantially unchanged from TAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles to those used under TAS 17.

The Group plans to adopt TFRS 16 using the modified retrospective method of adoption of which the cumulative effect is recognised as an adjustment to the retained earnings as at 1 January 2020, and the comparative information was not restated.

The management of the Group is currently evaluating the impact of this standard on the financial statements in the year when it is adopted.

## **4. Significant accounting policies**

### **4.1 Revenue recognition**

#### *Sales of goods*

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally upon delivery of the goods. Revenue is measured at the amount of the consideration received or receivable, excluding value added tax, of goods supplied after deducting returns, discounts, allowances and price promotions to customers.

Revenue from contract of productions is recognised over time where the stage of completion is measured using the comparison of actual costs incurred up to the end of the period and total anticipated costs at completion.



The recognised revenue which is not yet due per the contracts has been presented under the caption of “Unbilled receivables” in the statement of financial position. The amounts recognised as contract assets are reclassified to trade receivables when the Group’s right to consideration is unconditional such as upon completion of services and acceptance by the customer.

The obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer is presented under the caption of “Deferred revenue” in the statement of financial position. Contract liabilities are recognised as revenue when the Group performs under the contract.

#### *Rendering of service*

Service revenue is recognised at a point in time upon completion of the service.

#### *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 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

#### 4.8 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.

#### 4.9 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.

#### 4.10 Foreign currencies

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

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

Gains and losses on exchange are included in determining income.

#### 4.11 Impairment of assets

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

An impairment loss is recognised in profit or loss.

#### 4.12 Employee benefits

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

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

##### ***Post-employment benefits***

###### *Defined contribution plans*

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

###### *Defined benefit plan*

The Group has obligations in respect of the severance payments it must make to employees upon retirement under labor law. The Group treats 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.

Past service costs are recognised in profit or loss on the earlier of the date of the plan amendment or curtailment and the date that the Group recognises restructuring-related costs.

#### 4.13 Provisions

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

#### 4.14 Income tax

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

##### **Current tax**

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

##### **Deferred tax**

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

The Group recognises 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 Group reviews 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 Group records deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

#### 4.15 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 Group applies 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 Group measures 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 Group determines 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>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	
<u>Transactions with subsidiaries</u>					
(eliminated from the consolidated financial statements)					
Sales of goods	-	-	479	1,729	Reference to market price
Rental income	-	-	1	1	Contract price
Service income	-	-	1	1	Contract price
Dividend income	-	-	291	37	As declared
Purchase of goods	-	-	37	64	Reference to market price
Commission paid	-	-	-	17	Contract price
Transportation expenses	-	-	132	135	Reference to market price
Acquisition of entire business transfer	-	-	134	-	Contract price
Return of capital	-	-	109	-	As declared
<u>Transactions with related parties</u>					
Office rental and service expenses	4	4	4	2	Contract price
Land rental	5	5	5	5	Contract price

The balances of the accounts as at 31 December 2019 and 2018 between the Company and those related parties are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<b><u>Trade receivables - related party (Note 8)</u></b>				
Tamose Trading Company Limited	-	-	-	185,345
<b>Total trade receivables - related party</b>	-	-	-	185,345
<b><u>Other receivables - related parties (Note 8)</u></b>				
Tamose Trading Company Limited	-	-	3,772	1,430
Meesup Transport Company Limited	-	-	16	-
<b>Total other receivables - related parties</b>	-	-	3,788	1,430
<b><u>Trade payables - related party (Note 14)</u></b>				
Tamose Trading Company Limited	-	-	-	2,248
<b>Total trade payables - related party</b>	-	-	-	2,248
<b><u>Other payables - related parties (Note 14)</u></b>				
Tamose Trading Company Limited	-	-	-	2,609
Meesup Transport Company Limited	-	-	-	3,688
<b>Total other payables - related parties</b>	-	-	-	6,297

#### Directors and management's benefits

During the years ended 31 December 2019 and 2018, the Company had employee benefit expenses payable to its directors and management as below.

	(Unit: Thousand Baht)	
	Consolidated / Separate	
	financial statements	
	<u>2019</u>	<u>2018</u>
Short-term employee benefits	22,706	33,841
Post-employment benefits	5,584	1,090
<b>Total</b>	<b>28,290</b>	<b>34,931</b>

## 7. Cash and cash equivalents

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Cash	295	293	295	165
Bank deposits	281,753	378,711	263,576	255,429
Total	282,048	379,004	263,871	255,594

As at 31 December 2019, bank deposits in saving accounts carried interests at the rates of 0.25 - 0.375 percent per annum (2018: 0.38 - 1.30 percent per annum).

## 8. Trade and other receivables

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<u>Trade receivables - related party</u>				
Aged on the basis of due dates				
Not yet due	-	-	-	155,706
Past due				
Up to 3 months	-	-	-	29,472
3 - 6 months	-	-	-	155
6 - 12 months	-	-	-	12
Total trade receivables - related party (Note 6)	-	-	-	185,345
<u>Trade receivables - unrelated parties</u>				
Aged on the basis of due dates				
Not yet due	630,201	723,986	630,201	362,917
Past due				
Up to 3 months	233,353	263,226	233,353	113,437
3 - 6 months	11,736	20,783	11,736	1,780
6 - 12 months	13,497	29,231	13,497	13,785
Over 12 months	50,034	11,732	50,034	6,443
Total	938,821	1,048,958	938,821	498,362
Less: Allowance for doubtful debts	(38,974)	(23,103)	(38,974)	(10,916)
Total trade receivables - unrelated parties, net	899,847	1,025,855	899,847	487,446
Total trade receivables - net	899,847	1,025,855	899,847	672,791
<u>Other receivables</u>				
Other receivables - related parties (Note 6)	-	-	3,788	1,430
Other receivables - unrelated parties	15,979	17,402	15,979	894
Total other receivables	15,979	17,402	19,767	2,324
Total trade and other receivables - net	915,826	1,043,257	919,614	675,115

## 9. Inventories

(Unit: Thousand Baht)

Consolidated financial statements						
	Cost		Reduce cost to net realisable value		Inventories - net	
	2019	2018	2019	2018	2019	2018
Finished goods	859,723	922,726	(29,534)	(25,422)	830,189	897,304
Conversion raw materials	102,140	157,443	-	-	102,140	157,443
Raw materials	360,632	419,698	(2,911)	(1,844)	357,721	417,854
Factory supplies and others	22,583	28,967	-	-	22,583	28,967
Total	1,345,078	1,528,834	(32,445)	(27,266)	1,312,633	1,501,568

(Unit: Thousand Baht)

Separate financial statements						
	Cost		Reduce cost to net realisable value		Inventories - net	
	2019	2018	2019	2018	2019	2018
Finished goods	859,723	858,938	(29,534)	(24,887)	830,189	834,051
Conversion raw materials	102,140	157,443	-	-	102,140	157,443
Raw materials	360,632	416,050	(2,911)	(1,738)	357,721	414,312
Factory supplies and others	22,583	28,967	-	-	22,583	28,967
Total	1,345,078	1,461,398	(32,445)	(26,625)	1,312,633	1,434,773

During the current year, the Group reduced cost of inventories by Baht 5.2 million (2018: Baht 18.1 million) (the Company only: Baht 5.8 million, 2018: Baht 17.4 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	
	2019	2018	2019	2018	2019	2018	2019	2018
			(%)	(%)				
Tamose Trading Company Limited	-	100,000	99.99	99.99	-	99,999	167,999	20,000
Meesup Transport Company Limited	-	9,200	99.97	99.97	1,799	10,997	122,683	17,015
Total					1,799	110,996	290,682	37,015

On 16 September 2019, the Extraordinary General Shareholders' meeting of the Company passed a resolution approving the entire business transfer of two subsidiaries; namely, Tamose Trading Company Limited and Meesup Transport Company Limited, in which the Company has shareholdings of 99.99 percent and 99.97 percent, respectively.

On 1 December 2019, the Company acquired the entire business transfer of Tamose Trading Company Limited and Meesup Transport Company Limited at the net book value of their assets and liabilities as follows.

(Unit: Thousand Baht)

	Tamose Trading Company Limited	Meesup Transport Company Limited	Total
<b>Assets</b>			
Cash and cash equivalents	75,986	5,390	81,376
Trade and other receivables	44,795	1,444	46,239
Other current assets	554	445	999
Motor vehicles and equipment	3,263	35,978	39,241
Intangible assets	-	9	9
Deferred tax assets	5,035	438	5,473
Other non-current assets	524	-	524
<b>Total assets</b>	<b>130,157</b>	<b>43,704</b>	<b>173,861</b>
<b>Liabilities</b>			
Trade and other payables	1,719	25,256	26,975
Income tax payable	1,204	1,520	2,724
Other current liabilities	7,454	80	7,534
Provision for long-term employee benefits	1	2,235	2,236
<b>Total liabilities</b>	<b>10,378</b>	<b>29,091</b>	<b>39,469</b>
<b>Net assets</b>	<b>119,779</b>	<b>14,613</b>	<b>134,392</b>

On 4 December 2019, the the Extraordinary General Shareholders' meeting of Tamose Trading Company Limited and Meesup Transport Company Limited approved the dissolution. The companies registered their dissolution with the Ministry of Commerce on 4 December 2019 and are currently in the process of liquidation.

On 24 December 2019, the Company received the capital return from Tamose Trading Company Limited amounting to Baht 100 million and Meesap Transport Company Limited amounting to Baht 9 million.

## 11. Property, plant and equipment

(Unit: Thousand Baht)

Consolidated financial statements							
	Revaluation	Cost basis					
	basis						
		Land	Buildings and building	Machinery and factory	Office	Motor	Assets under
		improvement	improvement	equipment	equipment	vehicles	construction
		Land					Total
<b>Cost / Revalued amount:</b>							
1 January 2018	741,462	14,682	775,012	1,496,719	90,443	179,532	3,384,599
Additions	-	-	-	3,772	3,214	42	60,067
Transfers in (out)	-	-	8,797	90,933	123	-	-
Transfers to intangible assets	-	-	-	-	-	-	(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	3,433,996
Additions	-	-	-	4,420	1,958	7,527	88,679
Transfers in (out)	-	-	25,740	33,980	170	-	-
Transfers to intangible assets	-	-	-	-	-	-	(3,712)
Disposals/Write-off	-	-	(375)	(9,230)	(2,167)	(548)	(12,320)
31 December 2019	741,462	14,682	808,862	1,619,738	91,766	186,553	3,506,643
<b>Accumulated depreciation:</b>							
1 January 2018	-	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
Depreciation for the year	-	939	38,894	73,335	4,277	10,603	128,048
Depreciation on disposals/ write-off	-	-	(18)	(9,063)	(2,035)	(541)	(11,657)
31 December 2019	-	6,103	462,708	1,019,484	85,544	123,962	1,697,801
<b>Net book value:</b>							
31 December 2018	741,462	9,518	359,665	635,356	8,503	65,674	1,852,586
31 December 2019	741,462	8,579	346,154	600,254	6,222	62,591	1,808,842
<b>Depreciation for the year</b>							
2018 (Baht 97.69 million included in manufacturing cost, and the balance in selling and distribution and administrative expenses)							125,252
2019 (Baht 101.12 million included in manufacturing cost, and the balance in selling and distribution and administrative expenses)							128,048



### Separate financial statements

[illegible]

As at 31 December 2019, 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 654 million (2018: Baht 491 million) (the Company only: Baht 654 million, 2018: Baht 443 million).

The Company arranged for an independent professional valuer 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>2019</u>	<u>2018</u>
Original cost	259,860	259,860
Surplus on revaluation	481,602	481,602
Revalued amount	<u>741,462</u>	<u>741,462</u>

Surplus on revaluation of assets can neither be offset against deficit nor used for dividend payment.

## 12. Intangible assets

The net book value of intangible assets as at 31 December 2019 and 2018 is presented below.

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Computer software - at cost	73,325	69,805	73,325	69,398
Less: Accumulated amortisation	(47,690)	(41,692)	(47,690)	(41,298)
Net book value	<u>25,635</u>	<u>28,113</u>	<u>25,635</u>	<u>28,100</u>

A reconciliation of the net book value of intangible assets for the years 2019 and 2018 is presented below.

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Net book value at beginning of year	28,113	24,679	28,100	24,658
Acquisition of computer software	24	2,077	24	2,077
Transfer from property, plant and equipment	3,712	7,527	3,712	7,527
Increase from the entire business transfer of subsidiaries	-	-	9	-
Amortisation	(6,214)	(6,170)	(6,210)	(6,162)
Net book value at end of year	<u>25,635</u>	<u>28,113</u>	<u>25,635</u>	<u>28,100</u>

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

	(Unit: Thousand Baht)					
	Interest rate		Consolidated		Separate	
	(Percent per annum)		financial statements		financial statements	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Short-term loans from financial institutions	2.02 - 2.51	2.24 - 2.49	1,532,299	2,188,644	1,532,299	2,025,238
Trust receipt	3.10	3.47 - 3.95	82,223	3,940	82,223	3,940
			<u>1,614,522</u>	<u>2,192,584</u>	<u>1,614,522</u>	<u>2,029,178</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 2019, the credit facilities of the Company which have not yet been drawn down amounting to Baht 3,810 million (2018: Baht 3,982 million).

**14. Trade and other payables**

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Trade payables - related party (Note 6)	-	-	-	2,248
Trade payables - unrelated parties	70,404	41,687	70,404	6,393
Other payables - related parties (Note 6)	-	-	-	6,297
Other payables - unrelated parties	43,783	41,971	43,783	40,059
Accrued expenses	32,603	31,801	32,602	25,007
Total trade and other payables	<u>146,790</u>	<u>115,459</u>	<u>146,789</u>	<u>80,004</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 Group, was as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<b>Provision for long-term employee benefits</b>				
<b>at beginning of year</b>	31,050	33,169	28,494	26,053
Included in profit or loss:				
Current service cost	2,681	2,397	2,414	1,972
Interest cost	1,065	1,015	991	799
Past service cost	9,248	-	8,599	-
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
Transferred from the subsidiary during the year	-	-	1,310	-
Benefits paid during the year	(11,231)	(2,204)	(11,231)	(2,061)
Increase from the entire business transfer of subsidiaries	-	-	2,236	-
<b>Provision for long-term employee benefits</b>				
<b>at end of year</b>	<u>32,813</u>	<u>31,050</u>	<u>32,813</u>	<u>28,494</u>

On 5 April 2019, The Labor Protection Act (No. 7) B.E. 2562 was announced in the Royal Gazette. This stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more, with such employees entitled to receive not less than 400 days' compensation at the latest wage rate. The law was effective from 5 May 2019. This change is considered a post-employment benefits plan amendment and the Group has additional long-term employee benefit liabilities of Baht 9.2 million (the Company only: Baht 8.6 million) as a result. The Group reflects the effect of the change by recognising past service costs as expenses in the income statement of the current year.

The Company expects to pay Baht 1.0 million of long-term employee benefits during the next year (2018: Baht 8.5 million).

As at 31 December 2019, the weighted average duration of the liabilities for long-term employee benefit is 12-17 years (the Company only: 12 years) (2018: 12 - 17 years, the Company only: 12 years).

Significant actuarial assumptions are summarised below:

	Consolidated financial statements		Separate financial statements	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	(% per annum)	(% per annum)	(% per annum)	(% per annum)
Discount rate	2.80 - 3.17	2.80 - 3.17	2.80 - 3.17	2.8
Future salary increase rate	4 - 5	4 - 5	4 - 5	5
Staff turnover rate (depending on age)	2.87 - 45.84	2.87 - 45.84	2.87 - 45.84	3.82 - 45.84

The result of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligation as at 31 December 2019 and 2018 are summarised below:

(Unit: Million Baht)

	As at 31 December 2019			
	Consolidated financial statements		Separate financial statements	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
Discount rate	(3.1)	3.6	(3.1)	3.1
Salary increase rate	3.3	(2.9)	3.3	(2.5)
	Increase 20%	Decrease 20%	Increase 20%	Decrease 20%
Staff turnover rate	(3.5)	4.5	(3.5)	4.0

(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	(2.3)	2.3
Salary increase rate	2.5	(2.1)	2.5	(1.9)
	Increase 20%	Decrease 20%	Increase 20%	Decrease 20%
Staff turnover rate	(2.7)	3.4	(2.7)	3.0

## 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>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Salaries and wages and other employee benefits	353,944	387,964	302,988	308,799
Depreciation and amortisation expenses	134,262	131,424	125,814	121,828
Transportation expenses	58,528	49,982	139,235	139,006
Commission expenses	2,903	3,396	2,903	19,799
Raw materials and consumables used	7,313,891	8,357,885	7,308,984	8,276,478
Changes in inventories of finished goods	59,667	(101,219)	(4,103)	(89,675)



## 18. Income tax

Income tax expenses for the years ended 31 December 2019 and 2018 are made up as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<b>Current income tax:</b>				
Current income tax charge	24,968	28,650	18,477	15,363
Adjustment in respect of income tax of previous year	5	2,637	11	2,593
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	(5,241)	(6,734)	(5,034)	(4,551)
<b>Income tax expenses reported in profit or loss</b>	<u>19,732</u>	<u>24,553</u>	<u>13,454</u>	<u>13,405</u>

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2019 and 2018 are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Deferred tax on actuarial (gains) losses	-	(666)	262	346
	<u>-</u>	<u>(666)</u>	<u>262</u>	<u>346</u>

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

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
Accounting profit before tax	91,249	118,548	358,132	94,020
Applicable tax rate	20%	20%	20%	20%
Accounting profit before tax multiplied by income tax rate	18,250	23,710	71,626	18,804
Adjustment in respect of income tax of previous year	5	2,637	11	2,593
Effects of:				
Non-deductible expenses	757	579	499	534
Additional expense deductions allowed	(1,996)	(2,314)	(905)	(1,123)
Dividend income from subsidiaries	-	-	(58,136)	(7,403)
Others	2,716	(59)	359	-
Total	1,477	(1,794)	(58,183)	(7,992)
Income tax expenses reported in profit or loss	19,732	24,553	13,454	13,405

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	
	2019	2018	2019	2018
<b>Deferred tax assets</b>				
Land rental	572	507	572	507
Allowance for doubtful accounts	7,921	4,621	7,921	2,183
Allowance for diminution in value of inventories	6,489	5,453	6,489	5,325
Allowance for impairment of advance for raw material	-	355	-	355
Provision for long-term employee benefits	6,554	6,210	6,554	5,699
Gain on capital investment in subsidiaries	-	-	2,453	-
Total	21,536	17,146	23,989	14,069
<b>Deferred tax liabilities</b>				
Difference depreciation between tax and accounting base	31,556	32,407	31,556	32,407
Surplus on revaluation of land	96,320	96,320	96,320	96,320
Total	127,876	128,727	127,876	128,727

(Unit: Thousand Baht)

	Statements of financial position			
	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
<b>Presentation in the statements of financial position</b>				
Deferred tax assets	-	3,077	-	-
Deferred tax liabilities	(106,340)	(114,658)	(103,887)	(114,658)
Total	(106,340)	(111,581)	(103,887)	(114,658)

## 19. 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.

## 20. 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 Group is the manufacture and distribution of steel pipes, structural steels and contract of steel productions 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 2019 and 2018, the Group has no major customer with revenue of 10 percent or more of an entity's revenues.

## 21. 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 and the Group contributes 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 2019 amounting to approximately Baht 2.8 million were recognised as expense (2018: Baht 5.4 million).

## 22. Dividends

Dividends	Approved by	Total dividends (Million Baht)	Dividend per share (Baht/share)
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
Final dividends for 2018	Annual General Meeting of the shareholders on 25 April 2019	33.0	0.05
Total for 2019		33.0	0.05

## 23. Commitments and contingent liabilities

### 23.1 Capital commitments

As at 31 December 2019, the Company had capital commitments of approximately Baht 1.8 million, relating computer system development.

### 23.2 Letters of credit

As at 31 December 2019, the Company had commitments under letters of credit with overseas suppliers amounting to approximately USD 8.6 million (2018: USD 0.7 million).

### 23.3 Operating lease commitments

The Group 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>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Payable:				
In up to 1 year	9.5	9.5	2.7	1.7
In over 1 and up to 5 years	40.5	22.5	0.7	1.4
In over 5 year	16.7	20.4	-	-

(Unit: Million Baht)

	Separate financial statements			
	Related parties		Unrelated parties	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Payable:				
In up to 1 year	9.5	9.4	2.7	-
In over 1 and up to 5 years	40.5	22.5	0.7	-
In over 5 year	16.7	20.4	-	-

## 23.4 Guarantees

As at 31 December 2019, there were outstanding bank guarantees of approximately Baht 16 million (2018: 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>2019</u>	<u>2018</u>
Guarantee electricity use	15	15
Guarantee as an AEO authorised importer and/or exporter to the Customs Department	1	1

## 24. Financial instruments

### 24.1 Financial risk management

The Group's 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 Group is exposed to credit risk primarily with respect to trade and other receivables. The Group manages the risk by adopting appropriate credit control policies and procedures and therefore do not expect to incur material financial losses. In addition, the Group does 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 Group's exposure to interest rate risk relates primarily to its cash at banks and short-term borrowings. Most of the Group's financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate.

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

(Unit: Million Baht)

Consolidated financial statements	As at 31 December 2019				
	Fixed interest rates within 1 year	Floating interest rate	Non- interest bearing	Total	Effective interest rate (% per annum)
<b>Financial assets</b>					
Cash and cash equivalents	-	282	-	282	0.25 - 0.375
Trade and other receivables	-	-	916	916	-
	-	282	916	1,198	
<b>Financial liabilities</b>					
Short-term loans from financial institutions	1,615	-	-	1,615	2.02 - 3.10
Trade and other payables	-	-	147	147	-
	1,615	-	147	1,762	

(Unit: Million Baht)

Consolidated financial statements	As at 31 December 2018				
	Fixed interest rates within 1 year	Floating interest rate	Non- interest bearing	Total	Effective interest rate (% per annum)
<b>Financial assets</b>					
Cash and cash equivalents	-	379	-	379	0.38 - 1.30
Trade and other receivables	-	-	1,043	1,043	-
	-	379	1,043	1,422	
<b>Financial liabilities</b>					
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 2019					
Separate financial statements	Fixed interest rates within 1 year	Floating interest rate	Non- interest bearing	Total	Effective interest rate (% per annum)
<u>Financial assets</u>					
Cash and cash equivalents	-	264	-	264	0.25 - 0.375
Trade and other receivables	-	-	920	920	-
	-	264	920	1,184	
<u>Financial liabilities</u>					
Short-term loans from financial institutions	1,615	-	-	1,615	2.02 - 3.10
Trade and other payables	-	-	147	147	-
	1,615	-	147	1,762	

(Unit: Million Baht)

As at 31 December 2018					
Separate financial statements	Fixed interest rates within 1 year	Floating interest rate	Non- interest bearing	Total	Effective interest rate (% per annum)
<u>Financial assets</u>					
Cash and cash equivalents	-	256	-	256	0.38 - 1.30
Trade and other receivables	-	-	675	675	-
	-	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	

## Foreign currency risk

The Group's exposure to foreign currency risk arise mainly from purchasing transactions and borrowings that are denominated in foreign currencies.

The Group has 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 as at 31 December		Financial liabilities as at 31 December		Average exchange rate as at 31 December	
	2019 (Million)	2018 (Million)	2019 (Million)	2018 (Million)	2019 (Baht per 1 foreign currency unit)	2018
US dollar	-	-	2.71	0.12	30.0645	32.3640

## **24.2 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.

## **25. 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 2019, the Group's debt-to-equity ratio was 0.79:1 (2018: 1.03:1) and the Company's was 0.79:1 (2018: 1.06:1).

## **26. Events after the reporting period**

On 19 February 2020, the Company's Board of Directors meeting approved for payment of a dividend to the shareholders of Baht 0.27 per share, or a total of Baht 178.2 million.

However, this resolution will be further proposed for the shareholders' approval in the Annual General Meeting of the shareholders for the fiscal year 2020.

## **27. Approval of financial statements**

These financial statements were authorised for issue by the Company's Board of Directors on 19 February 2020.