



# S.KIJCHAI ENTERPRISE

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Public Company Limited

Annual Report 2018 | รายงานประจำปี 2561



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Note : Investors can review listed companies' financial statement in the Annual Report and SEC filing (Form 56-1) as shown on [www.sec.or.th](http://www.sec.or.th)

## Report of the Board of Director

S.Kijchai Enterprise Public Company Limited was established on September 28, 2010. The company's main business activities are to produce wood substitute products with medium density fiber boards or MDF boards. The company was listed and traded on the Stock Exchange of Thailand on September 26, 2017 in order to enhance its liquidity and ability to expand investment in the future.

S.Kijchai Enterprise Public Company Limited "SKN" was established with the objectives to be leading manufacturer of wood substitute products, with realization of environmental conservation for the natural sustainability. The company has been committed to corporate social and environmental responsibility under transparent management. In order to realize our vision, we have a specified policy that "We are the company commits to be a leader in the production of renewable materials, natural wood in Southeast Asia and emphasizes on creating the highest value for customers and all stakeholders under good corporate governance as well as quality manufacturing standards to the sustainability of the natural environment and society."

The market condition for natural wood substitute boards in the year 2018 has slightly increased in the world market. It has expanded its production both domestically and internationally. As a result, more competition in the market. However, the Company focuses on the development of production processes and on the quality of products. And still have a good response from both domestic and foreign customers. And in the year 2018, the Company has expanded an additional production line, which was completed in the end of third quarter and started commercial production during the forth quarter in the past year, 2018. Moreover, the Company has invested in setting up a subsidiary named S.Kleber Chemical Company Limited, operating production and distribution of adhesive and chemical products for industrial market. Such project would be another significant step of the Company for boosting competitiveness driving towards the established Company's vision.

Finally, as a representative of the Board of Directors, I would like to express my appreciation for all these support and motivation to the company. These have driven us to search for a good quality products and keep improve our service continually, which help us grow repeatedly with confidence. I would like to express my gratitude to all interested person, shareholder, partner, executive officer, employee, and including financial institutions that always trusted and supported us. And please rest assured that we will always committing to operate this company with integrity and ethic, under the concept of good governance for the most benefit for all parties. And we hope that the company will receive a great support from everyone forever and ever.

Dr. Suvit Thaniyavarn

Chairman of the Board of Director

S.Kijchai Enterprise Public Company Limited



## **Report of the Audit Committee**

The Audit Committee of S.Kijchai Enterprise Public Company Limited consists of 3 independent Audit Committee members who are competent and possess all qualifications as per the regulations stipulated by The Stock Exchange of Thailand. These 3 Audit Committee members include;

- |                                  |                                 |
|----------------------------------|---------------------------------|
| 1. Mr. Tarate Poshyananda        | Chairman of the Audit committee |
| 2. Pol.Lt.Gen. Sunchai Chaamporn | Audit committee                 |
| 3. Mr. Tiwat Rattanakate         | Audit committee                 |

The Audit Committee abide by the responsibilities appointed by the Board of Directors of the Company and pursuant to the Audit Committee Charter, which is consistent with the best practice of the Securities and Exchange Commission by reviewing and ensuring the Company to follow the principles of good corporate governance, establish sufficient risk management and internal control and conduct internal control efficiently and effectively, where the Company shall give priority to defining systematic structure and work process, operating as a transparent organization and enhancing the quality of the Company's internal audit for sustainable improvement.

In the 2018 accounting year, the Audit Committee arranged 4 meetings in total, in which the whole members of the Audit Committee participated and discussed with the internal auditor and auditor. The summary of main points on responsibilities is as follows :

1. Reviewing the Company's financial reports

Members of the Audit Committee reviewed the Company's quarterly and annual financial statements, including related transaction together with the auditor. They questioned the auditor on the accuracy and completeness of the financial statements, important adjusting general ledger entries, including accounting forecasting which affects the financial statements, adequacy and appropriateness of bookkeeping and scope of review, accurate, complete and adequate information disclosure and independence of auditor in order to ensure that the financial statements shall be in compliance with laws and generally accepted accounting standards, credible and provided in a timely manner. Moreover, the information shall be disclosed sufficiently and beneficial for users of financial statements.

2. Reviewing Risk Management

The Audit Committee reviewed efficiency and appropriateness of risk management process, which could occur by internal and external factors, including risk management policy, plan and guidelines on risks affecting the Company's performance together with recommendations for improvement in order to promptly support in case of unexpected events.

3. Reviewing Internal Control

The Audit Committee prioritized the compliance with laws, related regulations and management focusing on professional and systematic operations by reviewing internal control system with the internal auditor on a quarterly basis in order to ensure the proper, sufficient and efficient internal control system. The Audit Committee considered the evaluation form of adequacy of the Company's internal control system according to the Stock Exchange of Thailand and

Securities and Exchange Commission. The internal auditor and the Audit Committee had the agreed opinions that no major issues or flaws was detected and deemed that the internal control system is sufficient and suitable for the Company's current situation.

4. Reviewing transactions involving related or potential conflicts of interest

The Audit Committee reviewed and prioritized the consideration of processing transactions involving related or potential conflicts of interest in accordance with laws and regulations stipulated by the Stock Exchange of Thailand on a quarterly basis. The Audit Committee appointed the internal auditor to preliminarily monitor and review the accuracy and the auditor to regularly review such transactions in order that the reports are reasonable and provides the utmost benefit to the Company and accurate and complete information disclosure.

5. Reviewing compliance with securities and stock exchange regulations

The Audit Committee reviewed the Company's compliance with securities and stock exchange regulations, requirements of the Stock Exchange of Thailand or laws related with the Company's business. The Audit Committee deemed that the Company did not act against the relevant laws and regulations.

6. Appointment of the Auditor as of 2019 accounting year

The Audit Committee scrutinized and agreed to Siam Truth Audit Co.,Ltd. ,where the auditor are Mr. Banjong Pitchayaprasat, certify public accountant no. 7147 and/or Mr. Kraisit Silapamongkongkun, certify public accountant no. 9429 and/or Miss Khemmanan Jaichuen, certify public accountant no. 8260 the Company's and its subsidiary's auditor. The appointed auditor is independent and has no any interests which may cause a conflict of interest. The appointed auditor was proposed to the Company's Board of Directors for consideration and approval, as well as to the shareholder meeting of the year 2019 for further consideration and approval.

In conclusion, the Audit Committee has fulfilled the obligations and responsibilities as specified in the Audit Committee Charter, with their knowledge and abilities, carefulness, thoroughness, adequately independence. Moreover, they provided productive opinions and recommendations in favor of stakeholders equally. The Audit Committee scrutinized that the Company's financial reports are accurate, credible and in compliance with generally accepted accounting standards. The Company has managed an operation that is consistent with laws, obligations related to the business operations, including the good corporate governance system, adequate risk management and appropriate and efficient internal control system.

Mr. Tarate Poshyananda

Chairman of the Audit committee

S.Kijchai Enterprise Public Company Limited

## Message from the Managing Director

In the previous year 2018, the overall market status of wood substitute product has a slightly expansion in global level. Moreover, companies in the same industry have expanded their domestic and international capacity. This resulted in higher competition in such market. Last year, company has total sales revenue of 1,540.08 million baht, attributed to a decrease from the year 2017 equal to 26.07 million baht or decreased by 1.66%. The cost of sales for the year 2018 is 1,116.18 million baht, increasing 56.00 million baht or 72.48% of sales revenue and the net profit is 206.79 million baht, decreasing from the year 2017 equal to 19.18 million baht or decreased by 8.49 %.

The main reason of the Company's decreased revenue is the impact of the appreciation in exchange rate of Thai baht against US dollar from 2017 and the selling price in the year end of 2018 which was reduced by the volatile international market situation due to globally political and commercial uncertainties, together with the revenue from the new production line where the selling unit was lowered than the forecasted rate. Furthermore, the Company carried a slightly increased production cost due to higher energy consumption, as well as increased raw material cost.

According to globally political and commercial uncertainties, the market competition together with increased production cost, the Company has assessed and closely monitored the situation. Furthermore, the strategy has been adjusted in accordance with situations, including to improve machine and raw material efficiency to ensure financial stabilities performance.

In regard to investment, in the year 2018, the Company has managed to expand an additional capacity of MDF in order to support the market demand. This resulted in the total capacity of 500,000 cubic meters per year. Plus, the Company has invested in a subsidiary company establishment to conduct the production and distribution of adhesive and chemical products, which would be another significant step of the Company for boosting competitiveness driving towards the established Company's vision.

Lastly, I would like express my gratitude to Board of Directors, Executives, customers, shareholders and partners who confide in our company operations, including our employees who perform duties and assignments with their responsibility. We are committed to utilizing our experiences and proficiency in working in the wood industry for over 30 years and adhering to transparency and good governance in order to drive the Company to grow steadily together with the nature, community and environment further.

**Mr. Vichai Sangwongkit**

**Managing Director**

**S.Kijchai Enterprise Public Company Limited**

### 1. Policy and business Operation overview

#### 1.1 Vision

The organization is determined to be one of leaders in manufacturer of wood-based panel in Southeast Asia. The company aimed to create the highest value to customer and related parties under good governance management principle. Additionally, the aim is for to obtain production standard that is high in quality for the sustainability of nature, environment, and society.

#### Mission

To achieve vision of the organization, the company have mission as follow:

- 1) Manufacture quality products under based on International for standardization
- 2) Aim to develop products focusing on added-value to natural substitution materials
- 3) Respond to the highest customer satisfaction in all aspects
- 4) Promote good management and business operation, develop employee to obtain moral and ethical principle as well as responsibility to society and environment as well as all related parties

#### Business operational strategies

With over 30 years of experiences and expertise in wood processed industry, the organization possesses an in-depth understanding of wood processed product. The business begins to expand by using wood resource and added-value from wood bits to wood-based panel. The company use new machine with advance technology for the manufacture process and imported directly from Germany. There is a strict manufacture quality control in every process. The company operates under policy that focuses in creating quality products from international standards. The company also determine to develop manufacture process to be shorter and control the amount used of raw materials to be utmost efficient. This is aim to achieve high quality MDF board that responds to needs of domestic and international clients. Moreover, the company also promote the development of employees to obtain knowledge, moral and ethical principles as well as responsibility toward society and environment.

#### 1.2 Significant changes and development

Significant developments of the organization are as follow:

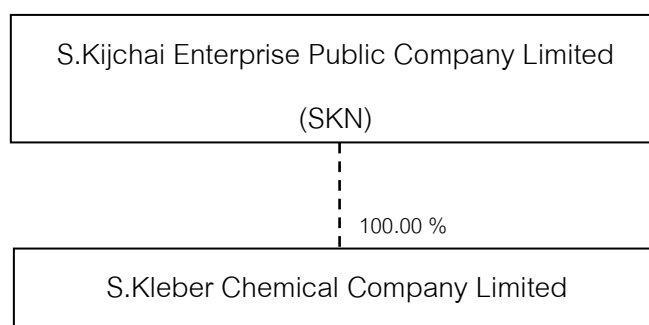
Month – year	Incidents
September 2010	: The company registered with registered capital of 600.00 million baht to operate in business to manufacture and distribute MDF board. The company began its operation in construction of factory and machine installment to manufacture MDF board at Klaeng District, Rayong province on the area of 144 rai, 452 square meters
March 2011	: Received investment promotion certificate reference 1364(2)/2554 from the Board of Investment (BOI) and receive tax rights and other rights in related business to MDF manufacture business as stated in Investment Promotion Certificate
November 2012	: Completed the process of machine installment and begins the test run

Month – year	Incidents
February 2013	: Completed test run as the company began to operate commercially in manufacture and distribution of MDF board, the company starts to distribute to customer domestically and began to export to other countries starting from Southeast Asia region
April 2013	: Certified with MDF board manufacturing standard and Thin MDF also received MUTU Certification International that is based on California Code of Regulation 93120
October 2013	: Started expansion of target customer to the Middle East
December 2014	: Extraordinary session of shareholders 12/2014, the company has reached resolution to grant registered capital from 600.00 million baht to 720.00 million baht. The company agreed to release additional 1.20 million common shares with the nominal amount of 100.00 baht to propose to shareholders based on shares holdings.
December 2014	: Received International Standardization ISO 9001:2008 which is the Quality Management System standards
November 2015	: At the extraordinary session 4/2015, the company reached resolution to reduce paid-in capital from 720.00 million baht to 600.00 million baht
February 2016	: Received International Standardization ISO 14001:2004 which is the Environmental Management System standards
August 2016	: At the extraordinary session 1/2016, the company reached resolution to incorporate the company as a public limited company and change the name to S Kijchai Enterprise Public Company Limited. It is also registered from company limited to public company limited on 14 September 2016  : In addition, during the same extraordinary session, shareholders also reach resolution to increase registered capital from 600.00 million baht to 800.00 million baht. It also changes the nominal amount of shares from 100.00 baht to 1.00 baht. The release of 200.00 million more common shares with the nominal amount of 1.00 baht to propose to the common public for the first time and obtain common share of the company to registered in Stock Exchange of Thailand
July 2017	: Received investment promotion certificate reference 60-0836-1-00-1-0 from the Board of Investment (BOI) for the second product line and receive tax rights and other rights in related business to MDF manufacture business as stated in Investment Promotion Certificate
September 2017	: The company registered and began trade in Stock Exchange of Thailand for real estate and construction group in construction materials section to expand its production operation. It is also to pay a long term loan and as a revolving fund in business operations

Month – year	Incidents
December 2017	: Received International Standardization ISO 9001:2015 which is the Quality Management System standards
March 2018	: Received International Standardization of United States Environmental Protection Agency: US EPA which is the reduce Formaldehyde Emission from Composite Wood Product from MUTU Certification International.
July 2018	: Registered subsidiary company “S.Kleber Chemical Company Limited” with registered capital of 100.00 million baht to manufacture and distribute glue and chemical. The Common shares worth 10.00 baht per share with 50.00 million baht paid in capital. SKN is 100.00 percent shareholder.
	: Received International Standardization ISO 14001:2015 which is the Environmental Management System standards
September 2018	: Completed installation and began the test run for second production line
October 2018	: Started commercial production and distribution of MDF board from second production line

### 1.3 Shareholder structure and subsidiary

In 2018 on July 11 The Company established a subsidiary company “S.Kleber Chemical Company Limited” to manufacture and distribute glue and chemical. The Shareholder structure is as follow:



#### Detail of operate in business of company and subsidiary company

##### S.Kijchai Enterprise Public Company Limited

S Kijchai Enterprise Public Company Limited previously name as S Kijchai MDF Company Limited registered on 28 September 2010 by S Kijchai group and Sahakij group and has registered as a public company on 14 September 2016. In 2017, the company has registered itself in the Stock Exchange of Thailand, as of 31 December 2018 with paid-in capital of 800 million baht. The main product of the company is Medium Density Fiber Board (MDF board).

##### S.Kleber Chemical Company Limited

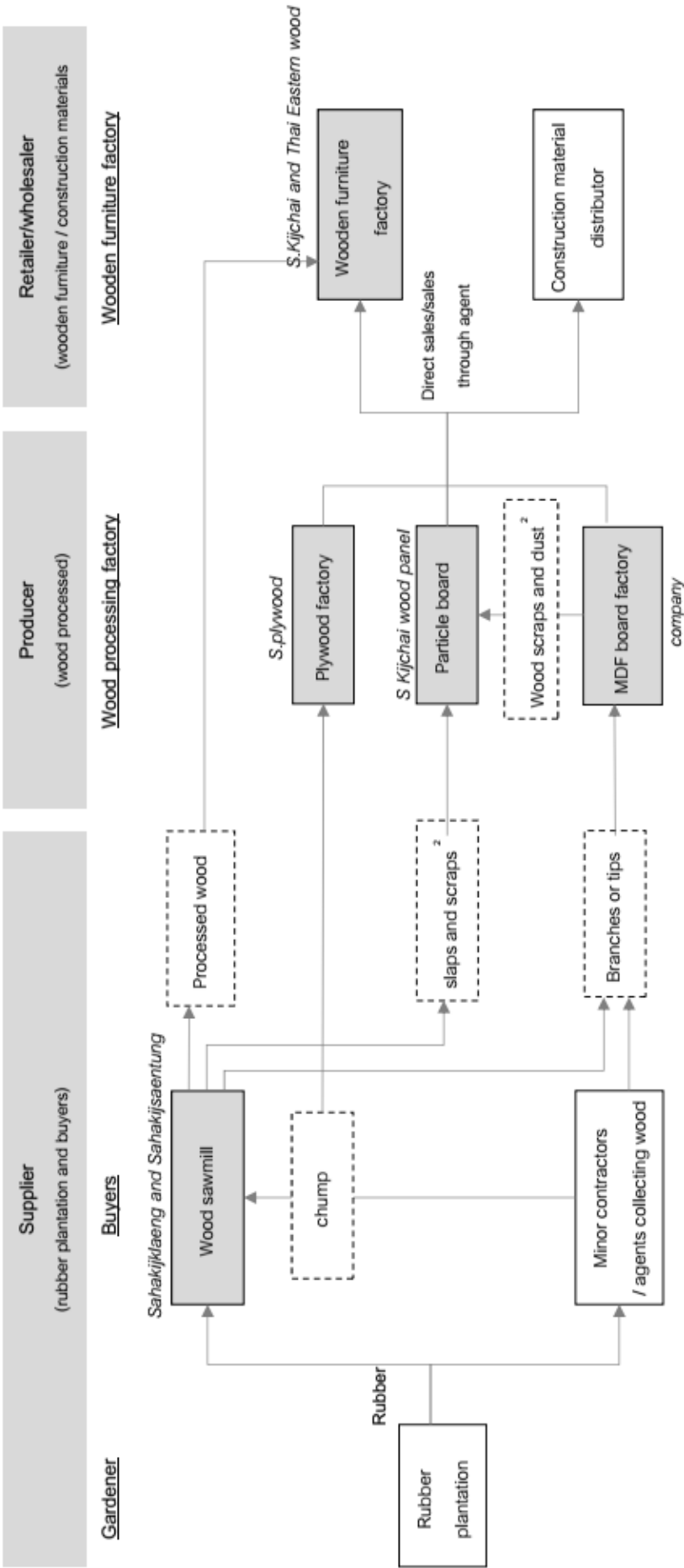
S.Kleber Chemical Company Limited registered on 11 July 2018 to manufacture and distribute glue and chemical. SKN is 100.00 percent shareholder of this company. The company is in construction process which expected to start commercial run in 2020.

#### 1.4 Major shareholder relations

Two main shareholder groups are S Kijchai Group and Sahakij group. Thus, the details of each company that possess shares by S Kijchai and Sahakij as well as rubber wood business operations in industry can be conclude as follow.

Company name	Year of establish	Type of business	Provinces	Shareholders (%)		
				S Kijchai Group	Sahakij Group	Others
1. S Kijchai Co., Ltd	1981	Furniture manufacture and distribution	Rayong	100.00	-	-
2. Sahakijklaeng Co., Ltd	1992	Rubber wood sawmill	Rayong	-	100.00	-
3. Thai Eastern Wood (1987) Co., Ltd <sup>2</sup>	1994	Furniture manufacture and distribution	Rayong	84.22	15.78	-
4. S Kijchai Wood Panel Co., Ltd <sup>3</sup>	1997	Manufacture and distribution of Particle board and fuel briquettes	Rayong	100.00	-	-
5. S.E.P Worldwide Co., Ltd	2002	Rubber wood sawmill	Phang Nga	33.33	-	66.67
6. Sahakij Saentung Co., Ltd	2003	Rubber wood sawmill	Trad	-	100.00	-
7. S Plywood Co., Ltd	2004	Manufacture and distribution of plywood	Rayong	50.00	50.00	-
8. Klang Packing Wood Co., Ltd	2004	Manufacture and distribution of pallet wood	Rayong	-	50.00	50.00
9. S Kijchai Enterprise PCL "Company"	2010	Manufacture and distribution of MDF board	Rayong	53.39	23.47	23.14
10. S Kijchai Bueng Kan Co., Ltd	2015	Rubber wood sawmill	Bueng Kan	100.00	-	-
11. SahakijTrad Co., Ltd	2016	Rubber wood sawmill	Trad	-	100.00	-

Supply Chain diagram for rubber wood processing industry and S Kijchai group and Sahakij group within the chain



Remark: <sup>1</sup> Sawmills that contract directly from rubber plantation owner mainly will be a large scale sawmills. However, a smaller scale sawmills will mainly use the method of purchasing chump from minor contractors or agents.

<sup>2</sup> Wood scraps and bits are by-product of wood processed from sawmills and wood bits and dust is by-product of MDF board manufacture process.

This means current operated business that consists of company that obtain shares by S Kijchai Group and/or Sahakij Group



**1.4.1 Relations between company and shareholders group with related business operations**

Two shareholders groups are S.Kijchai group and Sahakij group, both possess high experiences and expertise in different business related to rubber wood industry for over 30 years. Both groups operated wood sawmill business, which consist of, procure rubber plantation to eliminate rubber plant and segregate each part of rubber wood. The next process is to deliver raw materials to wood panel factory under the operation of company's shareholders that operate business in manufacture and distribution of plywood board, particleboard, and MDF board. The product received from wood panel factory will be further use as materials for furniture manufacture factory.

**1. Business operations of Sahakij Klang and Sahakij Saentung consist of related business transactions**

Both companies operated in business that interrelated by purchasing wood raw materials from Sahakij Klang and Sahakij Saentung. Both companies operated wood sawmill business by purchasing rubber plantation. They will use large trunks to use as raw materials for sawmill and use the other remnants such as branches and tips to distribute to the company. This is to prevent the conflict of interest between business transactions to other shareholder companies. S.Kijchai group and Sahakij group compile interrelate policy to use as a practical approach as well as processes to maintain and operate to ensure the confident that the business relations of companies under both groups will be transparent with clarity.

The company also compile policy regarding the purchase of wood raw materials to specify standardized method. This is to set standard price to every sellers without taking into consideration whether the seller is third party or company under the operation of third party or related companies. However, it is aim to consider the adequacy of raw materials and most importantly, benefits to the company.

**2. Business operations and product line of S.Kijchai Wood Panel and S Plywood possess some similarities**

S.Kijchai Wood Panel and S Plywood operate business that is similar to those of the company. Each company manufacture and distribute Wood-based panel in different types. The products of S Kijchai Wood panel, S Plywood and the company are particleboard, plywood board, and MDF board, respectively. Each product is often use in decoration and construction industry as well as furniture manufacture industry.

Nevertheless, if evaluate from the basis of business operations from both companies, it can be seen that in the future they might build business in manufacture and distribute MDF board to compete with the company. However, this has lower possibility that it could lead in the conflict of interest because each type of machine and type of board process differs. Thus, if S Kijchai Wood Panel and S. Plywood begins operate MDF board business, they will need to install new machine, which will use high cost of investment. Moreover, S Kijchai Wood Panel have cease production of particleboard since February 2016 and still do not have plan to re-manufacture particleboard. Additionally, S Kijchai Group and Sahakij have policy to expand business and distribute fiber board through the company investment.

The company has created policy on Non-Competition Agreement with shareholders and board of every S Plywood and S Kijchai Wood Panel as well as parties in Sahakij Group whom are not part of shareholders as well as board members of S Plywood and S Kijchai Wood Panel. This is to show the intention in not operate or create business transaction in the future that will be compete against the company. The types of business are MDF

board business, fiberboard business, and particleboard business. This is to prevent business competition, which could arise in the future.

### **1.4.2 Relations between the company and its related parties toward other companies that also obtain the name of 'S.Kijchai' similar to the name of the company**

The major shareholder of the company operate different types of business related to rubber wood panel for a long period. The company was establish to operate on related business in several companies. Companies that S Kijchai took parts in and became the major shareholder will consist of "S Kijchai" after the name of the shareholder. Thus, the related companies will consist of "S Kijchai" similar to the company that operate in the business regarding rubber wood panel industry: 1) S Kijchai Co., Ltd 2) S Kijchai Wood Panel and 3) S Kijchai Bueng Kan Co., Ltd.

However, although the name of three companies consist of "S Kijchai" similar to the company but the relation of the stated company will be through the major shareholder and joint board members as well as interrelate business only. This is the regular business transaction of the company and it does not have further relation as a subsidiary or joint venture of the company.

Thus in 2018, the transactions achieved by the company toward related parties have rationale and necessity for specific transactions. This is according to the details from section 11.1 in the list of transactions between the company/related parties.

## 2. Types of business

S.Kijchai Enterprise Public Company Limited previously name as S.Kijchai MDF Company Limited registered as a company on 28 September 2010 by S.Kijchai group and Sahakij group and has registered as a public company on 14 September 2016. In 2017, the company has registered itself in the Stock Exchange of Thailand on 31 December 2018 with paid-in capital of 800 million baht. The main product of the company is Medium Density Fiber Board of MDF board.

### Revenue structures

Main revenue of the Company is from proceeds of sales which is equivalent to 98 percent of the overall earnings. Approximately 95 – 98 percent of the proceeds of sales are export earnings. However, domestic earning is only 2-5 percent of the Company. The revenue structures for 2016, 2017, and 2018 are display in the table below.

**Overall revenue in 2016, 2017, and 2018**

list of items	Closing accounts on 31 December					
	2016		2017		2018	
	Million baht	Percentage	Million baht	Percentage	Million baht	Percentage
Proceeds of sales	1,477.69	99.03	1,566.15	98.77	1,540.08	98.02
- Export earnings	1,451.58	97.28	1,529.93	96.49	1,503.25	95.68
- Domestic earnings	26.11	1.75	36.22	2.28	36.83	2.34
Other types of earnings	14.48	0.97	19.46	1.23	31.13	1.98
Total earnings	1,492.17	100.00	1,585.61	100.00	1,571.21	100.00

### 2.1 Types of products and services

The Company manufactures and distributes Medium Density Fiber Board or MDF Board which is a Wood-based Panel in the type of Fiber Board. It is produced from using rubber wood fiber combining with binder substance which is Urea Formaldehyde Resin Chemical glue and compound into one board.

Wood-based Panel is a product that has been apply from knowledge and technology in making wood by enables the use of different parts of wood that cannot be use and press into a wooden board. This is to substitute for the use of natural wood which is difficult to find and high price in the present day. Types of popular Wood-based panel in the furniture industry can be divided into 3 main types 1) Plywood 2) Particle Board and 3) Fiber Board. MDF which is the main product of the company is considering a Fiber Board.

**Fiber Board** is made by using branches or tips of tree with high floss and grind into fiber and use the fiber to press into board with high heat. Chemical glue will help to bind wood into a board. Fiber Board can be divided into 2 types based on the density which are 1) Medium Density Fiber Board or MDF and 2) High Density Fiber Board). Both types of Fiber Board have different density so the strength in term of flexibility in angles may differ. Nevertheless, these two types of fiber board use the same production process. Thus, the machine of the Company will be able to adjust accordingly to manufacture both types of wood.

**Medium Density Fiber Board** or MDF is a Wood-based Panel with the quality close to the nature and can be applied in different purposes. This is especially with the manufacture of furniture such as cupboard, bed or office equipment. It can also be used in construction works, decoration works and kitchen utensils such as window frame, door frame, or wall. Thus, the characteristic of MDF as manufactured by the Company are as follow.

- |                          |   |  |
|--------------------------|---|--|
| Size of product          | : | The size of MDF that can be manufactured by the Company is 8 feet width and 24 feet height and can be cut into smaller pieces based on customer purchasing orders.   |
| Product                  | : | <p>The Company can adjust the thickness level of MDF from 2.5 millimeters to 25.0 millimeters. The groups of thickness are as follow.</p> <ul style="list-style-type: none"><li>- <b>Thin board</b> has thickness from 2.5 millimeters to 4.0 millimeters</li><li>- <b>Medium board</b> has thickness from 4.0 millimeters to 9.0 millimeters</li><li>- <b>Thick board</b> has thickness more than 9.0 millimeters to 25.0 millimeters</li></ul>   |
| Product safety standards | : | <p>MDF Board that is manufactured by the Company uses Urea Formaldehyde Resin chemical glue which is a binder substance to compound fiber of the wood. The types of Urea Formaldehyde Resin that the Company use for its manufacture is categorize based on the standard in quantity measurement and the evaporation of Formaldehyde in the product based on environment standard for furniture products. There are 3 types of substance that cover the market almost around the globe as follow.</p> <ul style="list-style-type: none"><li>- European standards<ul style="list-style-type: none"><li>• E1 : Formaldehyde <math>\leq</math> 8 milligrams per 100 grams of board</li><li>• E2 : Formaldehyde <math>&gt;</math> 8 milligrams but <math>&lt;</math> 30 milligrams per 100 grams of board</li></ul></li><li>- USA standards<ul style="list-style-type: none"><li>• CARB P2 : thickness <math>\leq</math> 8 millimetres, Formaldehyde <math>\leq</math> 0.13 ppm</li><li>• CARB P2 : thickness <math>&gt;</math> 8 millimetres, Formaldehyde <math>&lt;</math> 0.11 ppm</li></ul></li></ul> |

In 2018, the Company purchased chemical glue materials from small group of manufacturers. Some purchases were more than 30 percent of the overall purchase. The Company may encounter risk in dependency of the certain chemical glue distributors. Additionally, the Company may encounter risk regarding the glue material as shown in topic 3 "Risk factors" sub-topic 3.1.2 "Risk result from the deterioration of chemical glue materials and risk from the dependency on small groups of chemical glue distributors". Beside the glue material, the Company also depends on related parties including Sahakij Saentung and Sahakij Klaeng for wood materials equivalent to more than 30 percent of the overall purchase. This could put the Company at risk in small groups of distributors and the Company may encounter risk related to other wood materials; such as, sufficiency of wood materials, price fluctuations, and product deterioration as show in the topic 3 "Risk factors" with sub-topic 3.1.1 "Risks related to wood materials."

Standards/certification and interests of the Company

The Company operates according to the policy that aim to create quality in products and sustainable working standards as well as development in international standard process as certified by several institutes to respond to the needs of domestic and international customers as follow.

**Standards and quality certification of the Company**

Standards/Certifications	Descriptions	Month/year of first certified
MUTU certification international	Received production standards for Medium Density Fiber Board based on California Code of Regulation 93120 standards	April 2013
MUTU certification international	Received production standards for Thin Medium Density Fiber Board based on California Code of Regulation 93120 standards	April 2013
ISO 9001:2015	Received Quality Management System standards	December 2017
MUTU certification international	Received International Standardization of United States Environmental Protection Agency: US EPA from MUTU Certification International.	March 2018
ISO 14001:2015	Received Environmental Management System standards	July 2018

Investment Promotion Certificate from the Board of Investment (BOI)

1. The Company received Investment Promotion Certificate Reference 1364(2)/2011 from the Board of Investment for the first production line since 21 February 2011. The Company receives tax rights that consist of exemption of import duty for machine and juristic person income tax exemption with the total value of no more than 1,564,500,000 baht for the total of 8 years since the start of revenue from business (with the end date on 6 January 2021). The Company also has been allow to not acquire dividend from the business received from the Investment Promotion Certificate to calculate and pay for income tax for the whole period of the certificate juristic person income tax exemption.
2. The Company received Investment Promotion Certificate Reference 60-0836-1-00-1-0 from the Board of Investment for the second production line since 4 July 2017 and has received tax rights which consist of exemption of import duty for machine and juristic person income tax exemption with the total value of no more than 1,928,000,000 baht for 3 years from the start of the revenue from business. The Company also has been allow to not acquire dividend from the business received from the Investment Promotion Certificate to calculate and pay for income tax for the whole period of the certificate juristic person income tax exemption. Thus, the Company is in the process of request to extend tax rights for the second production line for additional 3 years after the first session of tax right has expired.

### 2.2 Market and competition

#### 2.2.1 Types of customer and target customers

The Company is determined to expand its customer base to cover all regions in the global stage by focusing on creating the highest value to customers in all aspects with good service and quality products from international standards. Most of the products of the Company are a Custom Made order with small number of products that is manufacture for Made to Stock. The ratio of the import earning is equivalent to 95 – 98 of total earnings of the Company.

The target group of the Company domestically and internationally can be divided into 3 main groups as follow.

- 1) **MDF Wholesalers/ Distributors** This group of customers will have their own customer base which could be large scale wholesalers who will works as an agent in importing and expand MDF board and other construction materials to their own customer base. This group of customer usually purchase high volume and purchase consistently.
- 2) **Furniture manufacturers and construction companies** will purchase MDF board as a raw material to produce products or use as materials for manufacture of furniture, interior decoration or as part of Built-in furniture.
- 3) **Wood laminate factory** will purchase MDF board to operate in additional production process by adding to wood surface with Veneers wood or Melamine board before distribute to furniture factory, construction companies, or other distributors.

Main group of the Company's customers are international clients especially in Asia Pacific region including Southeast Asia and the Middle East. Thus, for general international customers, the Company will set prices in 2 types which are (1) Free on Board Loading Port (FOB) price which is price of products in the case that the Company will be responsible for shipping expenses until the freight or (2) Cost and Freight (CNF) price which is price of products that including freightage. This is according to the needs of the customers.

#### 2.2.2 Distribution channels

Distribution channels of the Company can be divided into 2 main channels which are through agents or direct sales to the customers. The ratio of distribution channel through agents and direct sales to customers is equivalent to 45 - 50 percent and 50 - 55 percent from overall earnings, respectively. Thus, the Company has a strategic plan to expand its production line to prepare for sales and marketing activities both in the existing customers and new market in 2018. For the existing customers, the Company has contact several customers that had shown interest in increasing the quantity of purchase with the Company as well as potential customers that may increase their purchasing orders with the Company.

Additionally, the Company also study new market in other countries or regions to seek for market with growing potential for MDF board through different distribution channels. The Company will focus on direct sales to the customers in order to increase purchasing orders to be consistent with expanding production capacity. In 2018, the direct sales channel and sales in new regions has increased accordingly to the plan.

In 2017 and 2018, the Company did not sales through any agents more than 30 percent of the overall sales. The details are shown in topic 3 "Risk factors", sub-topic 3.1.9 "Risk from dependency of major agents."

### **2.2.3 Competition strategy**

With experiences and high expertise in wood-panel industry for more than 30 years, the Company has an in-depth understanding with wood-based panel manufacture. The Company uses new imported machine from Germany whom are leader in wood-based panel technology with advance and modern machine, strictly control in all productions process as well as determine to develop production process to be short and precise. The Company also controls the use of raw materials to be utmost effective resulting in the Company ability to manufacture quality MDF board and delivers to the customers on time to responds to needs of customers, continues to maintain trading relations.

### **2.2.4 Industry conditions**

#### Wood-based panel industry

Wood-based panel is a raw material that can be used in different industries. The main industries are furniture industry and construction materials industry. For the construction materials, it will be used as floor, pillar structures, doorframe, and window frame. In general, wood-based panel is divided into 2 types based on the types of product which are Sawn timber and wood-based panel.

- 1) Sawn Timber is using large trunk to cut into an appropriate size and quality and press as well as coated with chemical solutions to maintain the quality before distribution. Sawn Timber produced from several types of perennial plants which is a hardwood; teak, Burma Padauk, rosewood, and Siamese Rosewood. The examples of soft wood is rubber wood.
- 2) Wood-based Panel is a product that applied from knowledge and technology by using different minor parts of tree from the wood-based process such as wood bits and pieces that are too small to use as sawn timber including branches and tips to adjust into wood-based panel. This will be a substitute product as large piece of trunk is rare and has high price in the present day.

#### MDF industry

At present, MDF board raises its popularity to manufacture furniture and decorations as it has closest quality to the natural wood with lower price when comparing to natural wood or Plywood. This has resulted in the amount of MDF board usage to increase continuously to 99 million cubic meters or equivalent to 11 percent compound annual growth rate. There is a continuous potential in growing every year even though the world economy slows down, but MDF board usages did not reduce. On a side note, Sawn Timber or other types of Wood-based panel reduce significantly during economic crisis. (Source: Food and Agricultural Organization (FAO) 2000 - 2016)

### **2.2.5 Competitive situations**

The competition in MDF board industry is mainly a competition in the international market. This is because important markets of the Company as well as other manufacturers in Thailand are international customers. Thailand is also one of the key manufacturers and distributors of MDF in the global stages for several years.

#### MDF manufacturers in Thailand

Thailand is considered one of the leading countries for MDF board manufacturer to distribute in Southeast Asia and in the global stage. The main export markets for major manufacturers in Thailand are countries in the Middle East, Vietnam, Taiwan and United States of America.

According to the statistic collected and create by Food and Agricultural Organization (FAO) and disclosed in website, it showed the amount of MDF board manufacture in Thailand that has continuously grow. This is based on an increasing quantity of export values as main factories in the country usually will locate in the South or Eastern part of Thailand. This is because it is located near important rubber plantation. In the present day, the production capacity of 8 major distributors in the year of 2018 is equivalent to 3.63 million cubic meters per year. If taking into consideration of the highest production capacity of the Company that is equivalent to 500,000 cubic meters per year, it will be equivalent to 13.75 percent of the country's production capacity. Thus the Company is a medium scale manufacturer in the industry. Nevertheless, even though the production capacity of the Company may not contain high volume when comparing to other large scale manufacturers in the country, but the Company possess more advantages on the production line. This is because the new production line of the Company has just installed and began its production in 2012, so the machine is advance in technology when comparing to other manufacturers in the market. This means that the production of the Company will be effective and can cover the production cost in a competitive level to others large scale manufacturers in the country and abroad.

Company	Location	Highest manufacture volume in MDF production (cubic meter per year)
Vanachai Public Company Limited	Chonburi Saraburi Suratthani	870,000
Metro M.D.F Company Limited	Nonthaburi Kanchanaburi	500,000
Siam Fiber Board Company Limited	Songkhla	500,000
Panel Plus Company Limited	Songkhla	670,000
Rayong MDF Company Limited	Rayong	256,700
S Kijchai Enterprise Public Company Limited ("Company")	Rayong	500,000
Agro Fiber Company Limited	Prachinburi	100,000
Wise wood Company Limited	Phetchaburi	240,000
Total		3,636,700

Source : Information from companies and list of annual company information (form 56-1) and each company websites

### 2.3 Products and services acquisition

#### 2.3.1 Production base and production capacity

At present, the Company has one MDF board factory which is located at Klaeng district, Rayong province with the total area of 144 rai, 452 square meters. The factory has two production line

##### 1<sup>st</sup> Production line

The capacity of first production line is 20,000 cubic meters per month with production operation on a daily basis for 24 hours. Since 2014 the Company used approximately 90 – 91 percent of highest production capacity. In 2018, use the production capacity is equivalent to 97 percent of highest production capacity.

##### 2<sup>nd</sup> Production line

Started operations in the fourth quarter of 2018, the production capacity is approximately 21,600 cubic meters per month. This production line have achieved production capacity of 70-75 percent during December, 2018.



The main machine of the Company is import from Germany who is the leader in machine manufacturer of different types of Wood-based panel that is widely accepted globally. The machine of the Company is an automatic continuous process that uses advanced technology in production and control all command with computers. In addition, the machine manufacturer also has assistance team that supports for any issues or errors of the machine through 24 hours online system.

Previously, the Company prioritizes the quality and efficiency of the production process. There is also an improvement of machine and factory efficiency. It focuses on maintenance of the machine, security system and preventive maintenance. Additionally, the Company also continuously improve the production process by obtain production data in the past to analyze and improve production formula. This is so it will be suitable for the machine and products in each work and plan production by specify types of machine and types of raw material to create consistency to prevent the loss during production process and shorten the time of production process.

### **2.3.2 Production processes**

The production processes of the Company in manufacture MDF board are as follow.

The first step of production process starts from preparing the raw material by bringing wood raw material in to Debarker machine to be left only the trunk. The trunk will be cut into chips and will be deliver to the steamed process to soften the wood and grind it to fiber. Urea Formaldehyde will be injected to bind wood fiber together as it will enter the process of Dryer as well as contaminant segregation process. This will reduce other contaminants to dry the wood fiber and reduce contaminant. Next step is to put into wood forming machine and to the process of pressing the wood with high pressure and heat. This will transform the wood fiber into a hard board (Master Board), then waiting for the board to cool down and harden. The next process will be sanding and cutting the board. There will be a quality control for the entire production process. The product that has passed quality control will be packed and store in a warehouse for further shipment.

### **2.3.3 Raw materials acquisition for production**

The main raw materials that use to manufacturer MDF board are divided into 3 main types which are 1) rubber wood materials 2) chemical glue in the form of Urea Formaldehyde Resin and 3) other chemical substances such as Ammonium Chloride (adhesives agent), Urea substance and wax. The main materials of the Company such as raw materials, rubber wood, chemical glue and other substances can be found from resources in the country.

The acquisitions for each type of raw materials are as follow.

#### **1) Rubber wood materials**

At present, almost every wood material of the Company for the manufacture of MDF board comes from branches and tips of rubber wood as well as other parts of rubber wood with the diameters between 2-6 inches. Additionally, beside rubber wood, other wood with high fiber including eucalyptus is also use to manufacture MDF board. Since rubber wood is an economic plant with high volume of planting in the country as well as in the Eastern region of the country, where the factory of the Company is located, the Company decided to use rubber wood as the main material in production.

The main source of rubber wood materials of the Company came from the rubber plantation in the Eastern part of the country. The area will cover from Rayong, Chantaburi, Trad, Prachinburi, Chachoeongsao, and Sra Keo. Other rubber woods material that comes from other regions of Thailand has a smaller ratio. At present, the Company is also open for purchase of wood branches and rubber wood tips from minor wholesalers, wood agents or sawmills. These groups will mainly take rubber plantation in Eastern region and distribute to the Company. The process of purchase will be based on the policy in wood materials purchase which will take into consideration from the market price in the purchase of wood and the amount of production needs in each period.

### 2) Chemical glue materials

Urea Formaldehyde Resin is an important raw material for the production process of the Company. It is use as a fiber binder substance to press into a board. At present, there are several types of Urea Formaldehyde that the Company purchased for its production process. Each type will differ in term of Formaldehyde substance and other ratio of chemical solutions mix in the chemical glue. Glue is an important raw material and the quality of the chemical glue will affect directly to the efficiency and quality of the product. This has resulted in the fact that in the present day that the Company purchases Urea Formaldehyde Resin is the factories that have their own factories and has passed quality control test. The factors that the Company uses to select the distributors will depend on the type of chemical glue that the Company need to purchase and the proposed price in each time. Each types of chemical glue is different and the purchase from different distributors will be store in a different places to prevent the chemical to be confound which may result in the quality of the glue and products.

### 3) Other chemical materials

There is a small ratio in production process for other chemical substances when comparing to wood raw material and chemical glue materials. The main materials are Urea and wax. Other materials that the Company uses can also be resource within the country. Nevertheless, the Company will have contact lists for each of distributors for each types of chemical substance. The Company will consistently compare the price and quality before making a purchase. Most chemical substances can be purchase from distributors in the country. Only some types of substance will need to be purchase from abroad which will also depends on the proposed price in comparison.

In 2018, the Company purchased chemical glue material from small group of large-scale manufacturer. There was a purchase of more than 30 percent from the overall purchases to some of the distributor. The Company may encounter the risk of distributor dependency for chemical glue. This can be shown in the details in topic 3 “Risk factors”, sub-topic 3.1.2 “Risk result from the deterioration of chemical glue materials and risk from the dependency on small groups of chemical glue distributors”. Beside glue material, the Company also depends on wood materials from related parties which are Sahakij Saentung and Sahakij Klaeng for more than 30 percent of the overall purchases. This could result in the Company to encounter risk in dependency on small groups of wood distributors. Additionally, the Company will also encounter other risks related to wood materials such as price fluctuation or deterioration as shown in topic 3 “Risk Factor”, sub-topic 3.1.1 “Risk factors related to wood materials.”

**2.3.4 Environment effects**

The Company prioritizes responsibility toward maintaining good environment so the Company's business operation will not result in a negative effect toward the environment. This will include the elimination of dust, chemical substance fetor or sewage disposal. The Company has also installed effective dust control system into main machines. There will not be any dust pollution in the area of the factory. The Company also installs several chemical fetor elimination machines that could danger the area. There is also a sewage disposal system that is a closed system that will use the clean water in the production process and will not be release back to the environment.

In addition, the Company also has certified with Environmental Management System ISO14001:2015 which is part of measurement in environmental management 14000. It will be used as a guideline for organization or sector to systematically manage the system to reach the environmental target. From previous days up until the present, the Company has not encounter with any charges or lawsuits regarding environment conditions.

### 3. Risk factors

#### 3.1 Risk factor in business operations

##### 3.1.1 Risk related to wood materials

Rubber wood is the main material of the company. It is agricultural products that use time to plant as well as log process. The collection of large number of wood to use as a raw material of the Company will need to use agent to collect wood. It will also need to use sawmill to seek and collect wood materials. The price of the wood materials may fluctuate depend on different factors from each period. Thus, the company will have risks related to wood material as follow.

1) The sufficiency of wood materials: From the research, it is found that in the present day, the quantity of rubber wood material and the amount of log in an average per year in Eastern part of Thailand is sufficient. It will respond to an increasing demand of production. Additionally, in the neighboring region also grows rubber wood plantation that is high in volume and can be a secondary resource of raw materials in the future.

2) The dependency of small number of major wood materials supplier: The Company has purchase raw materials from related parties which are Sahakij Saentung and Sahakij Klaeng. In 2017 and 2018, there is over 30 percent of wood purchase from both suppliers combined from the overall purchase orders. The purchase is considered as a dependency on specific groups that could affect business turnover significantly. Nevertheless, the Company has contact additional large scale wood material supplier consistently. There is also a distinct regulation in the operation of purchase of wood materials as well as a memorandum on 'Right of First Refusal' to both suppliers. This is a measurement that will offer right to the Company to purchase wood materials from both suppliers first. This is to ensure that the Company will be able to continuously seek wood raw materials.

3) Related party wood supplier could result in disorder 'Arm's Length basis' if company have inefficient internal control: Nevertheless, the purchase of woods from all distributors will based on regulations for wood materials purchase to be fair and appropriate. There is also an appointed of wood purchase committee to investigate the process of wood materials purchase and report to board members in every quarter.

4) The fluctuation of wood materials price: The Company always following up with the situation regarding wood material price and the Company will set the price to purchase wood based on the information from wood materials market survey. The Company will also take into consideration the amount of wood that the Company need so the Company will be able to control the material cost to be appropriate and based on the market conditions. The Company will also adjust sales strategic to correspond to the fluctuation of conditions in material cost.

5) The deterioration of wood materials if kept for long period of time: Wood material is a type of material that circulate all the time as the Company also uses and manage in the 'First in First Out' method. Additionally, the Company also plans in advance; this is so the Company will acknowledge the amount of needed wood material to efficiently engage in Company's wood purchase plan.

**3.1.2 Risk result from the deterioration of chemical glue materials and risk from the dependency on small groups of chemical glue distributors**

The Company uses Urea-formaldehyde chemical glue as one of the main raw material to produce MDF board. The chemical glue has high risk to deteriorate if kept for long period of time. The Company also tends to purchase chemical glue from small groups of large manufacturers. This is due to the fact that the manufacturers occupy their own chemical glue factories so they will be able to distribute chemical glue certainly and in a short period. They also have an effective production plan result in the fact that the Company will be able to plan the purchase to correspond to the usage without storing high volume of chemical glue. In addition, the company established company's subsidiary names S.Kleber Chemical Company Limited, in order to manufacture and distribute glue and chemical. At present, subsidiary company is in main machine procurement process and expected to start operation in 2020. Which will help to reduce the risk from few amount of chemical glue distributors dependency.

**3.1.3 Risk results on dependency of export market that may concentrated only in some region**

Main revenue of the Company derived from exporting product to abroad. The main export market of the Company is the Middle East. Thus, the Company will encounter risk if there is any incident that could affect the regional market to cancel or reduce the quantity of purchase orders from the Company. Nevertheless, the Company has an attempt to expand the sales to other countries and aimed to expand market in new countries to reduce the risk of dependency on export to certain countries.

**3.1.4 Risk related to currencies exchange**

Main revenue of the Company is from the export which will use US dollars as a main payment currency for the product. The capital cost and main expenses of the Company is in Thai baht. The Company will encounter risk from currency mismatch between revenue, capital, and expenses. Nevertheless, the Company uses several financial tools to manage the risk. The Company will also encounter risk if the local currency exchange of the competitor countries of US dollars depreciates when comparing to Thai baht to US dollars. This will result in the exporter of certain country to have advantage from setting price based on the depreciation of the currency. This will affect the business operation of the company. Nevertheless, the Company also consistently following up with the currency exchange fluctuation, this will enables the Company to adjust to sales plan accordingly.

**3.1.5 Risk from the expiration of tax right of Investment Promotion Certificate from the Board of Investment (BOI)**

The Company receives tax right from the Board of Investment which is the tax exemption from juristic person. For the net profit from business turnover of the production line 1 for the total of 8 years, it will expire by 6 January 2021. It values at no more than 1,564.50 million baht and for the production line 2 which also received import duty for machine and juristic person tax exemption no more than 1,928.00 million baht for the period of 3 years. Thus, if the Company completed the full amount of tax rights or the Investment Promotion Certificate has expired, this will result in the Company increased in tax expenses. It will also affect the net profit of the Company.

**3.1.6 Risk from fires**

One of the main material for production of the Company are wood and chemical glue as well as the product of the company is MDF board. This is a flammable material. Thus, the Company will encounter a risk of fire. Nevertheless,

the Company has installed fire prevention system within its production line as well as install fire extinguishers in each area of the factory. There is also consistent fire safety training. The Company also acquires a property damage insurance.

### **3.1.7 Risk from consumers use other wood substitution product**

MDF board is part of Wood-based Panel which has a quality similar to sawn timber but in a lower price when in comparison. In the future, if there is a development in production technology that can produce product with similar quality as to MDF board in a price and capital cost that is lower. The Company could encounter risk from consumers to use other wood-based panel substitution product. This will result in the negative effect toward purchasing orders and the Company business turnover. Nevertheless, MDF board has been research and developed for over 30 years and is prefer to use to manufacture furniture continuously. If the consumers prefer to use other substitution, the Company sees that the change will not be instant and the Company predicts that it will be able to adjust to correspond to the trend and direction of the industry.

### **3.1.8 Risk from 'Anti-dumping Duty' from countries that imported products of the company**

At present, India announces an Anti-dumping duty for the import of MDF board that is thick equal to or more than 6 millimeters to countries that export MDF board to India including China, Malaysia, Indonesia, Sri Lanka, New Zealand, Thailand, and Vietnam. This has resulted in the importer of MDF that is equivalent to 6 millimeters or more have a chance to encounter a higher capital cost from additional tax. The Company will encounter risk from the importer from India that could cancel or reduce the amount of purchasing order from the Company. Nevertheless, the Company export to India in a ratio that is insignificant and does not have a policy to cut prices. Thus, the Company believes it will be able to manage the risk and will not significantly affect business operations of the Company.

### **3.1.9 Risk from dependency of major agents**

In 2016, the Company sold its product through major agent which is more than 30.00 percent of total sales. Thus, the Company will encounter risk if the agent cancel the agreement or did not present company product on sales in the future. Nevertheless, the Company has a plan to increase product distribution through other agents as well as increase number of new agents. The Company also plans to increase the ratio of sales by direct sales to the customer to reduce the risk of agents' dependency. It can be seen that in 2017 and 2018, there are not any major agent who take more than 30.00 percent of total sales.

## **3.2 Risk from investment to increase production lines**

At present, the Company has completed new production line expansion. Which is equivalent to double the size of the Company's first production line. The Company may encounter risk of unable to seek for adequate amount of purchasing order for an increase in the production capacity. This could result in the business turnover from investment from the expansion of the production line which does not meet the expectations. Nevertheless, the Company has customer base that has continuous potential and interest in increasing their purchase orders. The Company also expanded the customer base to new countries or regions. After new production line started commercial run in fourth quarter 2018, the company has been received more volume of purchasing orders, which accord with the increased production capacity.

**3.3 Risk in management****3.3.1 Risk from company structures that could lead to the conflict of interest**

Two major shareholders are S Kijchai group and Sahakij group also have a wood-based panel factors with a business operations similar to the Company which are 1) S Kijchai Wood Panel and 2) S Plywood. Each of the company manufactures and distributes different types of Wood-based Panel. However, business of both companies differs from the Company in several areas; for example, raw material, and production process, usage, and target groups. Additionally, the Company also has a Non-Competition Agreement to prevent competition in business that could arise in the future.

**3.3.2 Risk from investment of shareholders**

The Company could encounter risk from the fact that the Company has 2 groups of major shareholders which are S Kijchai group (hold shares in the name of S Kijchai Capital) and Sahakij group. Both have combined shares more than 75 percent of the overall purchasable shares. Minor shareholder could encounter risk from the fact that major shareholders will be able to control the resolution of the shareholder meeting. Therefore, even though other shareholders attend the meeting with the right to vote, they will not be able to collect enough votes to result in a different resolution. Nevertheless, the Company has set organization structure to enable the investigation and weight the balance of power for the board members who are stakeholders. There is also an appointed audit committee to investigate the work and management of the Company in representative of the minor shareholders to prevent any risk that may occur.

#### 4. Corporation information of Company

##### 4.1 General information

###### (1) Information of company

Company name	: S.Kijchai Enterprise Public Company Limited (“SKN”)
Type of business	: Manufacture and distribution of MDF board
Headquarter office	: 99/9 M.7 Huay Yang Sub-district, Klang District, Rayong province 21110
Telephone number	: 038-928188
Fax	: 038-928189
Company registration number	: 0107559000435
Authorized capital	: 800,000,000
Paid-in capital	: 800,000,000
Types and prices of shares	: Common shares worth 1.00 baht per share
Website	: <a href="http://www.skn.co.th/">http://www.skn.co.th/</a>

###### (2) Information of subsidiary

Company name	: S.Kleber Chemical Company Limited
Type of business	: Manufacture and distribution of Glue and Chemical
Headquarter office	: 99/9 M.7 Huay Yang Sub-district, Klang District, Rayong province 21110
Telephone number	: 038-928188
Fax	: 038-928189
Company registration number	: 0215561005624
Authorized capital	: 100,000,000
Paid-in capital	: 50,000,000
Types and prices of shares	: Common shares worth 10.00 baht per share
Website	: -

###### (3) References Parties

###### 3.1 Securities Registrar

Company name	: Thailand Securities Depository Company Limited
Location	: 93 Ratchadapisek Road, Din Daeng, Bangkok 10400
Telephone number	: 02 009 9381
Fax	: 02 009 9001



3.2 Company audit

Company name	:	Siam Truth Audit Company Limited	
Location	:	100/71 22FL1 00/2 Wongwanich B Building Rama 9 Road.,Huaykwang, Bangkok 10320	
Telephone number	:	02 645 0065	
Auditors	:	Mr Bungjong Pitchayaprasart	Certified Auditor License 7147
	:	Mr Kraisith Silpmongkonkul	Certified Auditor License 9429
	:	Miss Kemmanan Jaichuen	Certified Auditor License 8260

4.2 Other key information

- None -

## 5. Shareholders

### 5.1 Shareholders

(1) Name lists of the major shareholders

(a) Name lists and acquired shares of the top 10 highest shareholder on Book Closing Date on

25 January 2019

No.	Shareholders	Acquired shares	%*
1.	S.Kijchai Capital Co.,Ltd	400,800,000	50.100
2.	Mr. Somnuk Sangwongkij	60,000,000	7.500
3.	Mr. Sanguan Saengwongkij	60,000,000	7.500
4.	TISCO MID/SMALL CAP EQUITY FUND	18,123,400	2.265
5.	Mrs. Malai Tangsupa-anan	15,440,000	1.930
6.	Mr. Surasit Saengwongkij	13,430,000	1.679
7.	Mrs. Natthaporn Arayaprakarn	13,260,000	1.658
8.	Ms. Saengchandar Saengwongkij	12,932,800	1.617
9.	N.C.B. TRUST LIMITED-NORGES BANK 5	12,720,600	1.590
10.	Mrs. Supacha Charoensermasakul	12,122,000	1.515
Total		618,828,800	77.354

\* = percentage of purchased shares which is the total of 800,000,000.00 shares

(b) Details of shareholder of S.Kijchai Capital Co.,Ltd (which is a Holding Company) updated on

31 December 2018

No.	Shareholders	Acquired shares	%*
1.	Mrs.Natthaporn Arayaprakarn	100,000	10
2.	Miss Natnaree Arayaprakarn	50,000	5
3.	Miss Kanokporn Arayaprakarn	50,000	5
4.	Mrs. Kitiya Niebler	50,000	5
5.	Miss Ratikorn Sangvongkit	50,000	5
6.	Mr. Chalinwath Saengwongkij	50,000	5
7.	Miss Vichuta Saengwongkij	50,000	5
8.	Miss Thanyathon Saengwongkij	50,000	5
9.	Miss Sunisa Sangwongkij	50,000	5
10.	Mr. Chaiwat Taweepiriya	50,000	5
11.	Mr. Kunanon Taweepiriya	50,000	5
12.	Miss Varisara Taweepiriya	50,000	5
13.	Miss Variya Taweepiriya	50,000	5
14.	Mr. Vichai Sangwongkit	50,000	5
15.	Mrs. Aimorn Sangwongkit	50,000	5
16.	Miss Orawan Sangwongkit	50,000	5
17.	Mr. Hamsiri Sangwongkit	50,000	5
18.	Mr. Harnkij Sangwongkit	50,000	5
19.	Mrs. Supa Saengwongkij	30,000	3
20.	Mr. Vichien Saengwongkij	20,000	2
Total		1,000,000	100

\* % = percentage of the total sold shares

(2) The Shareholding agreement between major shareholders and the Company will affect the Offerings or the management of the Company. The agreement consists of the cosigner companies.

- Name of contract : - Agreement on First Right of Refusal dated on 20 October 2016  
- The agreement for First Right of Refusal will end on 18 November 2017  
- The revision of agreement on First Right of Refusal on 18 November 2016
- Types of contract : Agreement on First Right of Refusal regarding the purchase of rubber wood
- Partners of contract : - The Company  
- Sahakijklaeng Co., Ltd  
- Sahakij Saentung Co., Ltd  
- SahakijTrad Co., Ltd \*
- (\*The related cosigner agreed to have SahakijTrad Co., Ltd to end its role as a cosigner in the First Right of Refusal agreement. It is considered void and ineffective as a cosigner to SahakijTrad Co., Ltd, according to the end of cosigner agreement of First Right of Refusal agreement, dated 18 November 2016)
- Types of relation : - (1) Some of major shareholders within the Company is also a shareholder and/or board member of Sahakijklaeng Co., Ltd  
- (2) Some of major shareholders within the Company is also a shareholder and/or board member of Sahakij Saentung Co., Ltd

## 5.2 Other assets that is beyond common shares

- None-

### 6. Dividend payment policy

The company and subsidiary company has a policy to pay dividend in the rate that is not less than 40 percent of net profit from specific business financial budget. This is after the tax deduction from juristic person and any substitution deduction based on the law. It is also base on the regulation of the company. Nevertheless, the rate in paying dividend from the policy can be change accordingly basing on business turnover, investment plan, future business expansion, market condition, suitability and other factors related to business transaction as see fit by the board members. This will be under the condition that company will possess adequate amount of capital for business operation. In addition, that the operation will be utmost beneficial to the shareholders as see fit by company board members and/or company shareholders.

In 2017 and 2018, the company has the details of the dividend payout ratio as follows:

List of items	Year 2018 <sup>1/</sup>	Year 2017
Earning per share	0.26	0.35
Dividend per share	0.0982	0.1074
Dividend payout ratio (%)	39.99	40.03

<sup>1/</sup> On 27 February 2019, The Board of Directors' Meeting has resolved to approve the dividend and the profit appropriation as a legal reserve. To propose to the Annual General Meeting of Shareholders of 2019 ("the AGM") to consider and approve the payment of dividends of the year 2018 at the rate of Baht 0.0982 per share. However, such grant of the payment of dividends of the year will be able to do when approved by the shareholders' meeting.

**7. Management Structure**

**7.1 Company board members and sub-committees**

Company board members consist of 12 members with details of meeting attendance as follow.

No	Name	Position	As of 31 December 2018		
			Meeting attendance of Board of Director/ total meetings	Meeting attendance of Audit committees/ Total meetings	Meeting attendance of Nominating committees/ Total meetings
1.	Professor Dr. Chaiya Yimwilai <sup>1/</sup>	Independent director and Chairman of the Board	0/5	-	-
2.	Dr. Suvit Thaniyavarn <sup>2/</sup>	Independent director and Chairman of the Board	5/5	2/4	-
3.	Mr.Vichai Sangwongkit *	Board member and Managing Director	5/5	-	-
4.	Mr. Vichien Saengvongkij *	Board member	5/5	-	-
5.	Mr. Chaiwat Taweepiriyas*	Board member	4/5	-	-
6.	Mr. Sanguan Sangwongkij *	Board member	5/5	-	-
7.	Mr. Supot Massayamas	Board member	5/5	-	-
8.	Mr. Somnuk Saengwongkij	Board member	4/5	-	-
9.	Miss Kanokporn Arayaprakarn	Board member	5/5	-	-
10.	Miss. Orawan Sangwongkit	Board member and Nominating Compensation Committee member	5/5	-	3/3
11.	Mr. Tarate Poshyananda	Independent director, Chairman of Audit Committee and Nominating Compensation Committee member	5/5	4/4	3/3
12.	Pol.Lt.Gen. Sunchai Chaiamporn	Independent director, Audit committee member and Chairman of Nominating Compensation Committee	5/5	4/4	3/3
13.	Mr. Tiwat Rattanakate <sup>3/</sup>	Independent director and Audit committee member	4/5	3/4	-
14.	Miss Vichuta Saengvongkij <sup>4/</sup>	Nominating Compensation Committee member	-	-	3/3

\* Authorized board member of the Company

<sup>1/</sup> Professor Dr. Chaiya Yimwilai complete his Board term and resign from Board member on 24 April 2018.

<sup>2/</sup> Dr. Suvit Thaniyavarn is appointed as Chairman of the Board and resigned from the audit committee member on 12 May 2018.

<sup>3/</sup> Mr. Tiwat Rattanakate is appointed as Independent director and audit committee member on 24 April 2018.

<sup>4/</sup> Miss Vichuta Saengvongkij is a member of sub-committee board, but not a part of the Company's board member.

1) Mrs. Suvicha Tangsupa-anan (Name and maiden name: Miss Suvicha Hongkong) 2) Miss Jurirat Artwichai and 3) Miss Jurairat Leephairotkun to be the secretary of the Company as well as secretary of Board of Director, secretary of Audit Committee and secretary of Nominating and Compensation committee.

### Authorized board member of the Company

Authorized board member of the Company is Mr. Vichai Sangwongkit signed with Mr. Vichien Saengvongkij and embedded with Company seal, or Mr. Vichai Sangwongkit or Mr. Vichien Saengvongkij signed with Mr. Chaiwat Taweepiriyaa or Mr. Sanguan Saengvongkij jointly signed and embedded with Company seal.

### Executive Committee

The Executive committee consists of 8 Executive directors with the detail of meeting attendance as follow.

No.	Name	Position	As of 31 December 2018
			Meeting attendance/ Total meetings
1.	Mr. Vichai Sangwongkit	Chairman of Executive committee	12/12
2.	Mr. Supot Massayamas	Executive committee	11/12
3.	Miss Orawan Sangwongkit	Executive committee	11/12
4.	Mr. Thongchai Tangsupa-anan	Executive committee	12/12
5.	Miss Kanokporn Arayaprakarn	Executive committee	12/12
6.	Mrs. Kitiya Niebler	Executive committee	9/12
7.	Mr. Harnsiri Sangwongkit <sup>1/</sup>	Executive committee	1/12
8.	Miss Vichuta Saengvongkij <sup>1/</sup>	Executive committee	2/12

<sup>1/</sup> Mr. Harnsiri Sangwongkit and Miss Vichuta Saengvongkij are appointed as Executive committee on 9 November 2018

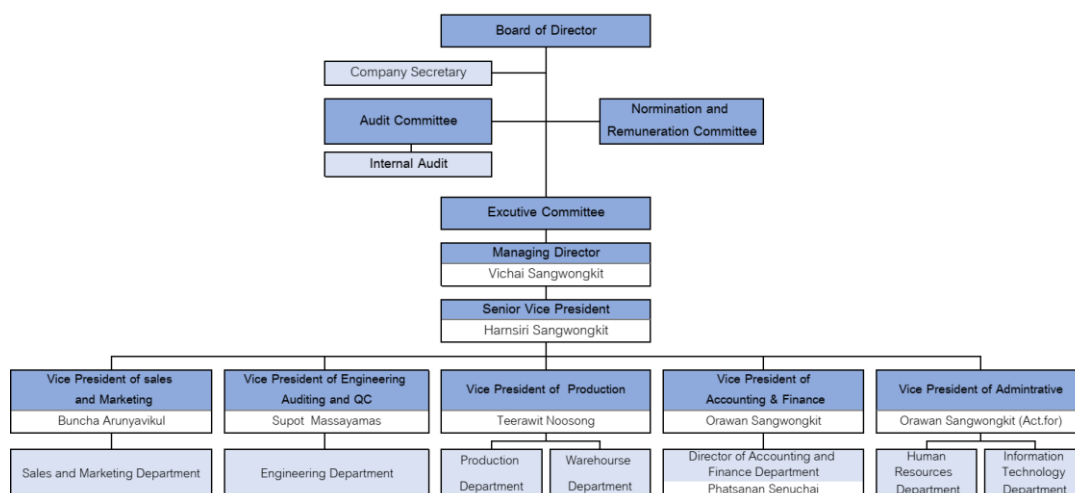
## 7.2 Executives

As of 31 December 2018, the Company has 7 executives as follow.

No.	Name	Position
1.	Mr. Vichai Sangwongkit	Managing Director
2.	Mr. Harnsiri Sangwongkit	Senior Vice President
3.	Mr. Buncha Arunyavikul	Vice President of Sales and Marketing Department
4.	Mr. Teerawit Noosong	Vice President of Production Department
5.	Mr. Supot Massayamas	Vice President of Engineering Auditing and QC Department
6.	Ms. Orawan Sangwongkit	Vice President of Accounting and Finance Department And Vice President of Administrative Department (Acting)
7.	Ms. Phatsanan Senuchai	Director in Accounting and Finance Department

### Company management and operation structures

As of 31 December 2018, the Company management and operation structures consist of the Company board members, 2 sub-committees (which are auditing committees and nominating and compensation committees) and management board members according to management structures as follow



### 7.3 Company secretary

The board members appointed Mrs. Suvicha Tangsupa-anan (Name and maiden name: Miss Suvicha Hongkong) as a company secretary since 20 March 2015. And appointed (1) Miss Jurirat Artwichai and (2) Miss Jurairat Leephairotkun as the company secretary since 9 August 2018

### 7.4 Compensation for board members and executives

#### 7.4.1 Compensations

##### (1) Compensation for board members

At the Annual General Meeting held on 24 April 2018, specified monthly compensation and attendance fee for meeting as follow.

Position	Compensation (Baht/month)	Attendance fees (Baht/Time)			
		Nominating and compensation committee meeting	Audit committee meeting	Board of Director meetings	Shareholders meeting
Chairman of the Board	40,000	-	-	15,000	15,000
Chairman of Audit Committee	30,000	-	15,000	10,000	10,000
Members of Audit Committees	25,000	-	10,000	10,000	10,000
Chairman of Nominating and Compensation Committee	-	15,000	-	-	-
Member of Nominating and Compensation Committees	-	10,000	-	-	-
Member of the Board of Director who are not be in the position of Chairman of the Board of Director or Chairman of Audit Committee or Audit Committee or Chairman of Nomination and Remuneration Committee or Nomination and Remuneration Committee or the company employees	15,000	-	-	10,000	-
Board member who is also the Company employees	-	-	-	10,000	-

Thus, for the board member that is also appointed as sub-committee board members will only receive monthly compensation for one position. In case of monthly compensation for each positions are similar, the board member will receive only one or another monthly compensation. However, in case that the rate of monthly compensation is unequal, the board member shall receive monthly compensation of the position with the higher payment rates.

Additionally, there are 2 types of compensation for the board members which are (1) monthly compensation and attendance fees according to above table and (2) bonus. Nevertheless, both (1) and (2) will not exceed 4,800,000 baht per year. In addition, if there is remaining financial amount from compensation (1), the Company board member will take into consideration and allocate accordingly to bonus (2).

The detail of the Company board members compensation as of 2018 is as follow.

No.	Name	Compensation in 2018 (Baht)	Compensation in 2017 (Baht)
1.	Professor Dr. Chaiya Yimwilai <sup>1/</sup>	160,000	780,000
2.	Dr. Suvit Thaniyavarn <sup>2/</sup>	700,000	555,000
3.	Mr.Vichai Sangwongkit	50,000	60,000
4.	Mr. Vichien Saengvongkij	310,000	240,000
5.	Mr. Chaiwat Taweeperiya	300,000	250,000
6.	Mr. Sanguan Saengvongkij	310,000	250,000
7.	Mr. Supot Massayamas	50,000	50,000
8.	Mr. Somnuk Saengvongkij	300,000	250,000
9.	Miss Kanokporn Arayaprakarn	50,000	70,000
10.	Miss. Orawan Sangwongkit	80,000	110,000
11.	Mr. Tarate Poshyananda	660,000	700,000
12.	Pol.Lt.Gen. Sunchai Chaiamporn	595,000	635,000
13.	Mr. Tiwat Rattanakate <sup>3/</sup>	390,000	-
14.	Miss Vichuta Saengvongkij <sup>4/</sup>	30,000	40,000
Total		3,985,000	3,990,000

<sup>1/</sup> Professor Dr. Chaiya Yimwilai is complete his Board term and resign from Board member on 24 April 2018.

<sup>2/</sup> Dr. Suvit Thaniyavarn is appointed as Chairman of the Board and resigned from the audit committee member on 12 May 2018.

<sup>3/</sup> Mr. Tiwat Rattanakate is appointed as Independent director and audit committee member on 24 April 2018.

<sup>4/</sup> Miss Vichuta Saengvongkij is a member of sub-committee board, but not a part of the Company's board member.

### (2) Executives compensation

Executives' compensation (excluding board members compensation) consists of 2 main parts which are salary and bonus.

List of items	Year 2018	Year 2017
Number of people	7	6
Compensation (Million baht)	21.97 <sup>1/</sup>	27.26 <sup>2/</sup>

Remarks: <sup>1/</sup>Total estimated bonus that is expected to be paid based on turnover for 2018.

<sup>2/</sup>Total estimated bonus that is expected to be paid based on turnover for 2017.



#### 7.4.2 Other compensations

The Company provides compensation to executives which consist of provident fund that was established in September 2016. It was open for members to be able to select their own investment policies based on the selections by fund committees. It consists of fixed income funds, equity instruments and balanced fund.

#### 7.5 Compensation policy

Board of director have considered remuneration for Board of director, sub-committee, exclusive committee and director according to company's compensation and remuneration policy based on scope of responsibility and comparable with others company in the same industry. Thus, the remuneration of Board of Directors and sub-committees have been approved by shareholders and exclusive committee's remuneration have been approved by Board of Director.

Remuneration details of Director and management shown in section 7 "Management Structure" and section 7.4 "Compensation for board members and executives"

#### 7.6 Employees

##### 7.6.1 Compensation for Company's employees (excluding executives)

The compensation offers to employees (excluding compensation for executives) consist of salary, bonus, overtime payment, active payment, position payment, professional fees, travel allowances, and employees' residence. As of 31 December 2018, there is altogether 292 employees and the Company has pay compensation for employees on the ending date of 31 December 2018 for the total of 59.64 million baht.

As of 31 December 2018, total numbers of employees can be divided into main department as follow.

Department	As of 31 December 2018
	Number of employees
- Production Department	197
- Engineering Auditing and QC Department	35
- Warehouse and Parcel Department	8
- Sales and Marketing Department	12
- Accounting – Finance Department	11
- Information Technology Department	2
- Human Resource Department	24
- Procurement Department	3
Total	292

##### 7.6.2 Labor disputes in the previous years

-None-

### 7.6.3 Policy in human resource development

The Company becomes aware of the value in human resources within the organization and has consistently promote the development of employees competency to acquire knowledge, expertise, and able to fulfil each responsibilities to reach the target set. Employees within the organization will need to take responsibility into their assigned tasks with ethical, morals and taken into consideration of common interest as the key importance. The human resource department of the Company will host training internally and externally. The internal training will be held by the human resource department to promote skills and develop employees' competency. For external training, the human resource department will be coordinating with external sectors so employees of the Company will have an opportunity to develop essential skills and knowledge for their assigned work operations at present and in the future.

## 8. Corporate Governance

### 8.1 The Principles of Corporate Governance

The Company prioritizes the importance of policy regarding 'The Principles of Good Corporate Governance' by specify policy for a transparent business operation that is accountable which will increase confidence to investors. The principles and practices in alignment with the Principles of Good Corporate Governance of the SET, the SEC and the recommendations of the Thai Institute of Directors (IOD). And communicated to executives and employees acknowledged and treated continuously. Thus the board of director has review the policy annually. Including always follow up and monitoring the implementation of policies to be used to ensure the suitable for the company's business and the situation and operation of the company. The Company will consistently disclose information to the public and shareholders. The Company also prioritizes internal control and internal audit. For risk management, the Company makes an effort to monitor and manage risk and takes into consideration regarding the morals in business operation. This is completed by maintain fairness to trade partners, shareholders, and all stakeholders with details as follow.

#### 1. Rights of Shareholders

The Company prioritizes the rights of shareholders in making decision on key changes of the Company equally. The shareholders will receive accurate, adequate and on-time information of the Company to accompany in decision making in every aspect. Thus, the board of directors will specify practice approach to ensure confident that shareholders will have protection of their basic rights. The example is the Company will consistently notify all shareholders the progress of business operation by notify the shareholders directly or through the Stock Exchange of Thailand ("SET") or other channels.

##### 1.1 Shareholders meeting

The Company will hold common meeting for shareholders within 120 days from the date of the closing account of the Company. For other shareholder meeting which known as the common meeting, the Company will hold additional meetings based on necessity and suitability. Thus, the Company will also have legal advisor with a responsibility to provide legal opinions and works as agent in inspecting vote throughout the meeting. The Company will also have meeting agenda on complicated transactions, which the Company will invite financial advisor to take part of the meeting. This is to notify information to the meeting and answer questions from the shareholders.

The Company appointed TSD (Thailand) Company Limited to operate by sending meeting invitation to shareholders by specify date and time of the meeting, meeting agenda, and information accompany objectives of the meeting and reasons behind each meeting items. It will also include opinions from board of directors in all meeting items as well as specify opinions from Auditing Committees in important meeting items or according to the law. It will also include attached letter of power of attorney along with meeting invitation. This is so shareholders can study information at least 7 days prior to the meeting. There will not be proposal of any meeting items for approval under other items that has not been specify within the meeting invitation. This is only if any emergency cases occur after meeting invitations has been issue. The Company will distribute meeting invitation along with attached documents of meeting agenda and publish on website of the Company prior to the meeting. The

Company will also publish on newspaper to call for a meeting of shareholders at least three consecutive days before the meeting date.

### **1.2 Meeting operations**

The Company will open registration for shareholders two hours before the meeting and will open for registration until prior to the discussion of the last meeting items. The Company will appointed staff to welcome the shareholders as well as facilitate shareholders throughout the meeting. Before the meeting, the Company will provide suggestions to board of directors, executive committee, financial auditors, legal advisor and will notify shareholders of their rights based on the regulation of the Company. The meeting will consist of voting process and rights to vote according to types of share. After meeting items information has been provide, the Chairman of the meeting will open opportunity for shareholders to give opinions and ask questions to the meeting based on that particular meeting item equally with appropriate time for a discussion. For voting item, the board member of the Company will appoint shareholders to vote for individual board members.

### **1.3 Minute of Meeting and disclosure of shareholders meeting resolutions**

The meeting minute of shareholder will be compiling with accurately and completely so the shareholders can verify the information. The meeting minute will consist of name list for board members who attend the meeting as well as board members who are absent from the meeting. It will also notify voting process and approaches to display voting scores to the meeting before continue the meeting as well as details of meeting resolution. It will also consist of conform votes and dissent votes and abstention. In all meeting items, there will be voting as well as conclude of opinions, questions and answers that is main point that is relating to each meeting item. The Company will publish voting results of each meeting items of the meeting through company website or through SET.

## **2. Equitable Treatment of Shareholders**

The Company supports fair and equal treatment to all shareholders and specifies guideline as follow.

1. Provide agenda before the meeting, following the details based on the topic “rights of shareholders”
2. Protect rights of minor shareholders: The Company offers opportunity for minor shareholders to have their rights in proposing meeting items as well as proposing name of the board members for election of Nominating and Compensation Committee in advance
3. Protection of internal information, following the details based on topic 8.5 “Protection of internal information usage”
4. Interest of the board members: The Company has specified member that could have conflict of interest in any items be votaress in specific item. Additionally, according to the regulations and guideline in connected transactions, it also specify board members and executive committee to provide report regarding own interest or third parties interest and notify to the Company. This is so the Company will have adequate information that could benefits the business operation based on guidelines for ‘connected transaction’. This is also to prevent any connected transaction that could

result in conflict of interest and also specify that stakeholders within connected transaction will not have right to approve or votes in specific item

### **3. Roles of Stakeholders**

The Company respects the right of stakeholders and has specify guideline within the Company 'code of conduct' to ensure that every stakeholder will receive every rights according to the law. The stakeholders are including shareholders, executives, customers, trading partners, debtors as well as society. Additionally, the Company will also support the collaboration between every group of stakeholder. This is so the businesses operations can continue with security of the Company in align with fair benefits and compensation to all parties for a long-term success of the Company.

### **4. Disclosure and Transparency**

The shareholders can access information of the Company that is equally provided to shareholders and the public through website of the Company. The content will consist of latest Stock Exchange prices, financial information, meeting invitation, financial statement, and printing materials for download. It will also combine financial information and other information that is complete, adequate, reliable and on time. This is so shareholders and stakeholders will receive equal information as well as important Company details including name of board members and their shareholder details, sub-committee members, and executive committee. This will include information that affect purchasing price for the Company Stock Exchange or affect investment decision or beneficial to shareholders based on announcement of the Stock Exchange and related law. This is so potential investors or related parties who are shareholders will use the information to accompany investment decision in the future. This will be through different channels on information of Stock Exchange and website of the Company.

### **5. Responsibilities of Company board members**

The Company board members take part in allocates and/or consent in vision, mission, strategy, goals, business plan and financial budget of the Company. The board members also supervise management department to follow according to business plan and financial budget as set by the Company in a highly effective and efficient manner to the Company as well as provide stability to shareholders. The board members also monitor assessment process based on suitability of internal audit, risk management, financial report of the Company as well as consistently follow-up with the operation.

There will be at least five board members but will not exceed 12 members. It will consist of members from management department and members who are not from management department. There will be at least three qualified independent members, which will be no less than 1 out of 3 for the entire board members. Thus, this will result in the appropriate balance of members who are executives. Additionally, the Company also appointed sub-committee member and management committee to cooperate in supervise business operation. The term of the positions, roles, and responsibilities of board members, sub-committee members and executive member as displayed in topic 8.2.

### **5.1 Compensation of board members**

The Company specifies accurate and transparent compensation policy and request for approval from annual shareholders meeting. The Company prioritize suitability in align with scope of responsibility for each of board member. There is also a comparison compensation rate for other board members in the same or similar industry.

### **5.2 Board members meeting**

The Company will hold board directors meeting as well as distribute meeting invitation along with meeting agenda and related documents to board of directors in advance. This is according to the Company regulation related to the law of Public Company Limited and regulations of Stock Exchange of Thailand that specify board members' responsibility in attend the meeting. Board of directors are allow to be absent from the meeting only in the case of emergency. The Company also will provide accurate and complete meeting minute so that the shareholder will be able to access the information.

### **5.3 Board members report**

The board of directors are responsible in management of financial report which including the Company financial budget and financial information that appeared in annual report. Thus, the particular financial report will be providing according to the Accounting Standards that is certify in Thailand. The Company will select an appropriate finance policy that is an acceptable in align with careful executive discretion in the completing and monitoring. Thus, there will be adequate disclosure of information to accompany financial statement.

### **5.4 Board members self-assessment and assessment of business operation for sub-committees**

The Company appointed board members to self-assess their own work operations as well as assess the operations of sub-committee members. Both can cooperate to takes into consideration regarding accomplishment and problems. The assessment will be further analyzed and finding appropriate solutions to specify measurements to improve efficiency of work for the board members.

### **5.5 The development of board members and high-level executives**

The Company supports board of directors and high-level executives to attend seminar that is beneficial for their operation roles. The Company also support consistent meet up to exchange opinions between board of directors, board members, and high-level executives from different organization.

### **Code of Conduct**

The Company has specified to have business moral guidelines for board members, executives, and employees to follow strictly as follow.

1. Manages a business with trade partners and competitors on the basis of honesty and fair principles
2. Strictly follow legal intentions by avoid any incidents that is not correspond to the Company business moral for the purpose to only achieve the business goal
3. To maintain the Company and business brand reputation and to not publicize information of the Company direct or indirect to external parties, especially the information that has not been filter for accuracy from sectors related to the Company

4. In case of conflict of interest, there should be an approach to solve the situation through the negotiation process in align with principle mechanism of the Company and as stated by the law on the particular issue

#### **Conflicts of interest**

The Company has appointed board members, executives, and employees to avoid engaging in any activities that lead to conflict of interest for the Company. The Company will also monitor and supervise not to any conflict of interest between third parties. Actions and decisions of executives or employees will need to take into consideration for interest of stakeholders before own interest. In this case, if there is any incidents that result in the conflict of interest or when board members, executives or employees become engage in incident that could lead to the conflict of interest. The individual must notify their supervisors or related sectors to find solution to the situation with fairness and transparency.

## **8.2 Sub-committee members**

### **Board members structures**

The structures of board members and management of the Company is as follow.

1. Board members
2. Two sub-committees, which are
  - 2.1 Auditing Committee
  - 2.2 Nomination and Compensation Committee
3. Board of directors

## **1. Board members**

### **Terms of reference for board members**

The board members as a representative of shareholders have power, roles and responsibilities as follow.

1. Performs assigned roles with responsibility, precaution, honesty to maintain the benefits of the Company and as stated by the law, as well as objective and regulations of the Company and resolution from shareholders meeting
2. Acquires the power to specify or adjust conditions regarding joint-signing of the Company as well as list of board members who hold the power of joint-signing of the Company
3. Takes into consideration to approve and appoint as well as specify roles of sub-committee members based on suitability and necessity to support the business management of the Company board members
4. Plans organization structure and specify Organization Chart of the Company as well as adjust according to the suitability
5. Appoints the Company secretary to support the Company board member in different operations according to the law, announcement, and related regulations
6. Specifies vision, policy, business operation direction and monitor management department to operate accordingly in an effective and efficient manner
7. Specifies business plan, yearly financial budget, supervise and monitor management of management department and consider potential for the next quarter of the year

8. Specifies framework and policy for salary, salary promotion, bonus, compensation or reward bonus to employees
9. Appoints management department to have financial system, financial report, and financial audit that is reliable as well as supervise to have system in risk management and internal control system that is suitable and sufficient
10. Considers the approval of receiving or distributing of asset, new business investment or any operations to be based on the law, announcement, and related rules and regulations
11. Considers and/or consent of connected transactions and/or engage in any connected transactions (in case of the size of items, do not need to receive approval from shareholders meeting) of the Company and subsidiary (if any) according to law, announcements, rules and related regulations
12. Considers the approval of dividend to shareholders of the Company and report to shareholders meeting in the next meeting
13. Monitors to prevent the conflict of interest between stakeholders and the Company
14. Verifies process and policy in risk management and follow up on the operations
15. Specifies policy relating to business management and corporate social responsibility as well as anti-corruption policy and establish the use of the particular policy effectively
16. Holds an annual report and responsible for creating and disclosing financial budget to display financial status and business turnover of the Company in previous year to present to the shareholders meeting
17. Holds an annual general meeting within 4 months since the ending date of the Company fiscal accounting period
18. Considers and approves other key operations related to the Company or as see fit regarding the operation for the highest benefits and fairness to the Company and all stakeholders
19. Authorized one or more board member or external members, thus the authorization will not be assigned during the period of the board members or assigned member to engage with individual that could have potential conflict of interest, stakeholders, or any forms of conflict of interest to the Company or subsidiary company (if any)

## 2. Audit Committees

### Terms of references for auditing committees

Term references for auditing committees

1. Verifies for the Company to report and disclose accurate and sufficient financial reports
2. Verifies for the Company to have internal control and internal audit that is suitable and efficient and takes into consideration the indent of internal control as well as gives consent in appoint, remove or dismiss internal audit supervisors or others departments related to internal audit
3. Verifies for the Company to act according to the Securities and Exchange Act as well as regulations of Stock Exchange and law related to business operations of the Company



4. Considers, selects, and propose the appointment of individual who is independent as the Company financial auditor and compensation of the individual as well as attend the meeting of financial auditor without any managements attend the meeting at least once a year
5. Considers related transaction or items that could related to conflict of interest to be according to law and regulations of the Stock Exchange to ensure that the particular item is rationale and beneficial to the Company as well as the disclosure of accurate and complete information
6. Acquires power to invite board members, executives, supervisors or company employees to discuss or answer questions from the audit committee
7. Audit Committees entitle to request for independent opinions from professional advisors as necessity with the Company expenditure
8. Creates audit committees report by disclose in company annual report, the report must be sign by Chairman of the Audit Committee, the report need to be sign and consist of the following information:
  - a) Opinions regarding accuracy and reliability of the financial report
  - b) Opinions regarding sufficiency for internal control system
  - c) Opinions regarding company's' actions according to the Securities and Exchange Act as well as regulations of the Stock Exchange or law that related to the business
  - d) Opinions regarding suitability of financial auditor
  - e) Opinions regarding items that could result in conflict of interest
  - f) Number of meetings for the Audit Committee and the attendance of each member of Audit Committee
  - g) Opinions or observations from action according to the Audit Committee's Charter
  - h) Other items that the shareholders and investors should acknowledge under term of reference, roles and assigned responsibilities by the board members.
9. Other current activities for board members to acknowledge regarding activities of the Audit Committee as follow:
  - a) Meeting minute of Auditing Committee that clearly identify opinions of the Audit Committee in various aspects
  - b) Report regarding the opinion of financial report, internal audit, and internal audit process
  - c) Other reports that the board members should acknowledge
10. The responsibilities of the Audit Committee are also to report any items or action that could significantly affect financial status or business operation of the Company to adjust or solve within suitable period as see fit by the Auditing Committee
  - a) Items related to conflict of interest
  - b) Doubts or presumption if there is any act of corruption or error in the internal control system
  - c) Doubts that there could be law violation regarding to the Securities and Exchange Act as well as regulations of Stock Exchange and law related to business operations of the Company

If the Auditing Committee report to the board members regarding significant affect toward financial status and business operation and if there is a discussion with board members and executives that there should be adjustments. If the time has arrived, and it is found that the issues is neglected with about any rationale, one or another Auditing Committee member can report the issue to the Securities and Stock Exchange Commission or the Stock Exchange.

11. In case that the financial auditor found any suspicious behavior those board members, managers, or responsible individual in operating a certain operation of the Company is involve in wrongful actions according to the law. There will be a notification of the fact regarding the particular behavior to the Auditing Committee to investigate as soon as possible. This is so the Audit Committee will report basic investigation to the Securities and Stock Exchange Commission and financial auditor within 30 days since the date of notification by financial auditor. Thus, the particular suspicious behavior will be notified with approaches to find the fact regarding the behavior to be according to the specification by the Securities and Stock Exchange Commission.
12. To specify policy and operational framework for risk management as well as provide recommendations to board member and management department regarding risk management
13. To set strategy in align with risk management policy and to be able to assess, follow up and monitor overall risk of the Company to be in acceptable level
14. To monitor, support, and push forward for the cooperation in risk management of the Company as well as reconsider the sufficiency of the policy and risk management system continuously so the risk management system operates in an effective manner
15. To report to the board members regarding key risk items, risk assessment, risk management, affect that may occur in operation as well as prevention and suggestions for adjustment. In case of key incident that could significantly affect the Company, the Auditing Committee need to report to the board members immediately
16. Acquires power in appoint committee to responsible for risk management and report to the Auditing Committee
17. Operates any other tasks as assigned by the board members of the Company with the consent of the AuditCommittee such as review financial management policy and risk management, review business morals of executives, review with the executives in key reports that need to report to the public including reports and management department analysis

Thus, Mr. Tarate Poshayananda is experts with high experiences in financial. Mr. Tarate Poshyananda graduated with Bachelor Degree major in Business Administration from Eastern Kentucky University, United States of America and received master degree majoring in Marketing from Webster University, United States of America. He also has work experiences as a board members and executive position in several types of business including financial institution and retail business.

### 3. Nominations and Remuneration Committees

#### Terms of references for Nominating and Remuneration Committees

##### Nominating committees

1. Specify criteria or approaches in seeking individual to be in the position of board members for the Company as well as members of Sub-committee, executive committee and managing director that is suitable for the specific types of the Company. The example is the criteria in selecting previous board members to remain in the position or the criteria to announce the application or board members, as well as criteria regarding opportunities for shareholders to propose names of board members. This should also include criteria to use the service of external company in selecting board members, criteria in selecting individuals from different occupations or criteria or criteria to select suitable individuals. This is also including disclosure of policy and criteria in a transparent manner
2. To specify qualification of board members, members in the sub-committee, executive committee as well as nominating committee member to base on structures, size, types and suitability of the Company regarding skills, experiences, and special abilities based on business or main industry related to the Company
3. Select and propose qualified individuals that is suitable and corresponds to criteria and approach to position as board members of the Company, members in sub-committee, executive committee and managing directors to propose to meeting of board members and/or shareholders meeting for further appoint of the position.
4. Create, review, conclude and handover succession plan for managing director position to the board members annually

##### Remuneration Committees

1. Considers structures, numbers, types, and criteria in compensation payment including all types of compensation both cash and cash equivalent appropriated for Chairman of the board, board members, as well as members in the sub-committee, executive committee and managing directors in a fair and reasonable manners. This is to correspond to the responsibility and business operation of the Company. Thus, it can be consider comparing with compensation payment of other companies in the same industry and propose to the board member meeting and/or shareholder meetings for further approval
2. Takes responsibility toward board members and responsible for clarify, answer questions regarding compensation for board members, sub-committee members, executive committee or managing director in shareholders meeting
3. Reviews the suitability of criteria and process in nominating and specifying compensation of board members, sub-committee member, executive committee and managing directors according to environmental conditions and changing situations of the Company

4. Specifies approach in assessing action plan for the board members, sub-committee members, executive committee and managing directors annually by taking into consideration of responsibility and risk that occur and propose to the board members for further consent
5. Responsible in assessment of the business operations for executive committee and managing directors and report assessment result toward board members for further consideration.
6. Supervises for the disclosure of principles/rationale in specification of board members and executives compensation based on the regulation of the Stock Exchange in the Company annual report
7. Specifies compensation of the board members, sub-committee members, executive committee and managing directors, management department and other sectors will need to report and present information and related document to Nominating and Remuneration Committee to support the operation of Nominating and Remuneration Committee to achieve the assigned responsibility.
8. Operates other assigned businesses by board members and/or shareholders meeting relating to nominating and remuneration of board member, sub-committee members, executive committee and managing director

#### 4. Executive committee

##### Terms of references for executive committee

Executive committee are responsible in manage business of the Company according to the objectives, regulations, policy, commands, and laws as well as the Securities and Exchange Act, other announcement from SEC and SET, other announcement, rules, and/or regulation related as well resolutions from executive committee meeting and/or shareholder meeting. Additionally, executive committee also have responsibility to consider each item that is present to company board members to approve and/or consent based on the regulations or command by the board members. It also includes operation commands of board members in each period and these follow.

1. Plans, creates, and proposes policy, direction, target, business strategy and annual business plan in align with conditions, economic, market competition condition for further approval from the board members.
2. Specifies business plan, annual budget, management power in approving different items of the Company for future approval from the board member
3. Monitors and supervises business operation of the Company to be according to the policy, goal, business strategy, annual business plan, buss model and annual budget as approved by the board members
4. Acquires power to approve financial budget for investment, purchasing and hiring, loan from financial institution, and other items to benefits business operations based on objectives of the Company within budget. It also include authorized power as appointed by the board members and ability to suggest or give opinions about other items that beyond budget or authorized power as appointed by the board members on investment, purchasing and hiring, loan from financial institutions and other items for the benefits of the Company objective. Thus, the particular action will falls under the announcement of Stock Exchange Committee, The Securities and Exchange Commission or other law that is related to the items.

5. Considers and approves as well as amend or adjust command, rules, regulation and other criteria relating to work operation as well as monitor and supervise works in all department
6. Considers and report different items to board member within the specific time frame as follow:
  - a) Business turnovers by quarter and annually within the specific time frame from the related law
  - b) Report of financial auditors regarding the Company financial statement as well as financial statement by quarter and annually within the specific time frame from the related law
  - c) Notify board members immediately in case of any corruptions or actions that is violation of laws or other abnormal actions, thus, the executive committee will report to the board members when any suspicious situation occurs.
  - d) Reports other items as see fit by executive committee or board members
7. Fulfills other assigned responsibility as assigned by the board members
8. Provides authorized power and roles that assist with Chairman of the executive boards, and/or high-level executives of the Company based on term of reference, roles and responsibilities as specified by the executive committees under the supervise of executive committee
9. Provides authorized power during and/or assigned one or more people to operate one or another items as see fit by the executive committee and within specific time frame as see fit by executive committee. This should be under term of reference of the given authorized power and/or according to the rule, regulation, or command of the executive committee. Thus, the executive committee may cancel, remove, and adjust the appointed person as see fits.

Thus, the delegation of authorized power for roles and responsibility of executive committee will not be in the form of authorized power during the period that the executive committee or appointed authorized power able to approve items that one or another individual engage in conflict of interest (as define in the anannouncement of the Security and Exchange Commission member or other related criteria) It is only acceptable if it is an approval of business transaction according to the policy and criteria as consider for approvals by the board members. This is according to law based on asset and Stock Exchange as well as regulations, announcements, or command by Stock Exchange, Securities and Exchange Commission, Stock Market Supervisory Board or other related laws,

## 5. Managing Director

### Term of references for Managing Director

1. Supervises, manages, and operates business for the benefits of the Company according to policy, vision, goals, annual business operation plan, business strategy in related fields, and annual budget as specified by the meeting of the board members
2. Supervises and monitor operation regarding finance, marketing, human resources and other department in general to corresponds to policy and business operation plan as specified by the board members
3. Acquires power to hire, appoint, remove, or dismiss employees in the Company with the position under Managing Director and able to appointed another person to act In place of the position.

4. Acquires power to specify salary, compensation, and bonus and salary promotion for employees with the position that is under Managing Director under frame and policy as specified by the board members and/or as specified by regulation regarding authorization
5. Negotiates for agreement and/or other related transactions to the business operation of the Company with each of the financial budget as specified by the authorization regulation approved by the board members
6. Issue orders, regulations, announcements or report within the Company so the business operation of the Company align with policy and for the benefits of the Company as well as preserve regulations within the organization.
7. Performs assigned responsibilities by the board members and/or executive committee as well as acquire power to operate any necessary actions as see appropriate
8. Acquires power to authorize other people as see fit by the Managing Director to manage and operate on behalf on Managing Director in the necessity and suitability within the executive discretion of the Managing Director under criteria of the law and regulations of the Company
9. Acknowledges assessment result from Nomination and Remuneration Committee as presented to the board members to effectively further improve quality of business operations

Thus, in order to operate on any items that will result in Managing Director or authorized person by the Managing Director or other individual that could lead to conflict of interest or conflict in benefits of the Company and/or subsidiary company (if any) and/or related companies to approve particular item that the Managing Director or another individual encounter conflict of interest. The Managing Director did not have any authorization and the particular issue will need to be present to the executive committee meeting and/or board member and/or shareholder meetings (case by case) for further approval. The only exception is if it is a consideration to approve regular business operations and trading policy which is approved by the board members that the Managing Director is able to approve accordingly.

### **8.3 Nomination and appointment of high level executive committee**

The Company prioritizes the importance in nominating and appointing board members and managing directors of the Company to operate in line with the principle criteria and with transparency. This is to align with the principles of corporate good governance. The Company has specify policy to nominate which specify the Nomination and Remuneration Committee to nominate individual to position as executive committee, sub-committee members, to present to the board member and/or shareholder meeting for consideration and approval. This will be consider based on ethical, moral and must be the individual who support management according to the principle of good governance to correspond accordingly with organization strategic operations.

#### **1. Nomination of Board member**

The Nomination and Remuneration Committee has responsibility to nominate qualified individuals and present to the board members or shareholders (case by case). The process of nomination will takes into consideration regarding diversities of gender, age, knowledge skills and different experiences through consideration on skills and expertise in each field and combine with knowledge, skills, and experience to beneficial to business operation of the Company. They

should also have qualification according to the Securities and Exchange Act as announced by the Securities and Stock Exchange Commission, Capital Market Supervisory Board or announcement from the Stock Exchange of Thailand with other announcements, rules and/or regulations related to present to board members and/or shareholders to consider for further approval. The Company has specified criteria and approaches which can conclude into key points as follow.

1. The board members will consist of at least 5 but not exceeding 2 members and at least no less than half of the total members will need to residence in Thailand. The board members will also need to be qualified and should not possess incompatibility based on Public Company limited law and other related laws.
2. The election for the board members will be held at shareholders meeting by using the majority votes based on criteria and approaches as follow
  - 2.1 One shareholder has one vote per one share. The shareholders can use all votes to select one individual or several nominees as a board member but cannot divided votes accordingly.
  - 2.2 Shareholders make a vote for the election of board members individually.
  - 2.3 In case there are many nominees to elect for the board members, the person with the highest vote received will be elected as a board member equivalent to number of needed member or elected at that time. In case that the next nominee have the same votes equivalent or more than members of the meeting, the Chairman of the meeting will be the one making final decisions.
3. For the common shareholder meetings that occur annually, one out of 3 members needs to resign from the position at that time. If the number of board members cannot be directly divide into three portions, the number of resignation should be closest to 1 out of 3 board members that need to resign from the position in the first year and second year that the Company is registered and to draw lots as to who would resign. For other years, the longest board member in the position shall resign. Thus, the board members who resign from their terms could be re-electing to the position.
4. In case of one or another board members plan to resign from the position, he/she must send resignation letter to the Company. The resignation will be affective as soon as the letter arrived at the Company. The board members who resign can also notify their resignations with the registrar.
5. In the case that the position of the board member become available due to other reasons beside resignation from terms, the board members may choose to select qualified individual without any incompatibility of law regarding Public Company Limited and law based on asset and Stock Exchange to be acting member for the next board member meeting. However, if the board member has less than 2 months term the person who will be acting board member may be in the position of board member equal to the remaining term of the member. The resolution of the board members needs to consist of at least 3 out of 4 votes from the remaining board members.
6. At the meeting, the shareholder may vote one or other board members to resign from the position before the term with at least three out of four votes proportion from the entire attendance of the shareholders with the right to votes. There should be a total shares no less than half of the shareholders that attend the meeting with the right to vote.

7. The board member may select one member as the Chairman of the executive board and in case that the board members need to consider to select one or more member, the other member will be selected as a vice chairman of the board.

### 2. Nomination of independent board members

The Company specified components of board members that it need to consist of at least 1 out of 3 independent members from the total number of board members. There should be at least 3 independent members. The board member or shareholders (case by case will be appointing independent board members, The person who will takes role of the independent board members need to have qualities and is not incompatible for board members according to Public Limited Companies Act and law of asset and Stock Exchange as well as rules and/or related regulations. The independent board member will need to takes into consideration qualities, knowledge expertise and diverse experiences in different fields needed for operation and business of the Company. This is to present to the meeting with board member or shareholders (case by case) to consider for further appointment of independent board members for the Company. Thus, if one or other independent member is removing from the position before the end of the term, another independent board member will be in the position only with the remaining term of the previous independent board members.

The board member has specified the qualities of the independent board members as follow.

1. The board member should hold no more than 1 percent of the shares with the right to vote for major company, subsidiary company or joint venture (if any) as well as to major shareholders or authorized position in the Company. Thus, this should include holding of shares for related parties of the particular independent members.
2. The member should not be a board member or previously positioned as a member that takes part in management of workers, employees, or advisor with permanent salary or authorized position in the Company of the major company, subsidiary company, joint venture company or minor company in the same manner (if any) with the major shareholder or authorized position of the Company. The only exception is the member has been removed from the position no less than two years before the appointment of independent members.
3. The member should not have consanguinity or registered legally in form of father, mother, marriage spouse, relatives and children as well as marriage spouse of children of other board members, executives, major shareholders, or person in charge of the Company or any individual that will be nominate to be board members, executive, or authorized position in the Company or subsidiary (if any).
4. The member should not have or used to have business relations with major company, subsidiary company, joint venture company (if any) with major shareholders or authorized position in the Company in the form that could prevent independent consideration. They should also takes part or previously position as significant shareholders or person in charge of the relations of the business for major company, subsidiary company, joint venture company (if any) for major shareholders or authorized person in the Company



unless the person is not in the position no less than two years prior to the appointments independent board members.

5. The member should not positioned or previously positioned as financial auditor of the major company, subsidiary company, or joint venture company (if any) of major shareholders or authorized position of the Company and should not be a significant shareholder with authorized power or takes part as a partner in financial audit institution with financial auditors of the major company, subsidiary company, joint venture company (if any) of major shareholders or authorized position reside in, unless the person is not in the position no less than two years prior to the appointments independent board members.
6. The member should not or previously positioned as any occupation service providers as well as legal advisor or financial advisor that received more than two million baht service fees per year from major company, subsidiary company or joint venture company (if any) of major shareholders or authorized position in the Company and should not be a significant shareholder with authorized position or partner of particular occupation service provider. The only exception is the member has dismissed from the position no less than two years prior to the appointment of independent board members.
7. The member should not be appointed board member to represent board member, major shareholders or related shareholder that have relations with major shareholders.
8. The person should not engage in any business with same condition and significant competition with the business of the Company or subsidiary company (if any) or not takes part as significant partner in partnership or board member that takes part in management of workers, employees, advisors that receive permanent salary or holds more than one percent of shares from the total shares with the right to votes from other companies with same business operations and significant competition toward the Company or subsidiary company (if any).
9. The member should not have any other reasons to not be able to give opinions independently toward business operations.

**3. The nomination of Audit Committee members**

The Audit Committee will consist of at least three independent members and will be in the position for three years.

The board members of shareholders (case by case) will be the one appointing the Audit Committee members.

The Nomination and Compensation Committee with nominate the Auditing Committee based on qualifications from the announcement of Investment Market Committee Tor.Jor 28/2008 regarding the request for permission to resell new shares dated on 15 December 2008 with the revised details as follow.

1. The member must be an independent member with qualities according to the law of asset and stock exchange as well as the announcement, rules and/or regulation of the Securities and Stock Exchange Commission and the Stock Exchange of Thailand.
2. The member should be able to use their own discretion independently with sufficient knowledge and experiences to take responsibilities as the member of the Audit Committee on assigned mission.

3. The members should consist of at least one person with sufficient financial or financial management knowledge to take responsibilities in review reliability of financial statement.

#### **4. The nomination of the Nomination and Remuneration Committee members**

The Nomination and Remuneration Committee should consist of at least 3 members including at least half of the total members of the Nomination and Remuneration Committee. It should not consist of Chairman of the board. The board members will consider and appoint the members of the Nomination and Remuneration Committee.

The members of the Nomination and Remuneration Committee should have qualities as follow.

1. The member should have qualities according to the law of asset and Stock Exchange, announcements of the Securities and Stock Exchange Commission, announcement of the Investment Market Commission or announcement from Stock Exchange of Thailand as well as other related announcements, laws, and/or regulations.
2. The member should be an appointed member to make decisions on business operation of the Company, subsidiary, joint venture or minor company in the same levels of major shareholders or authorized member of the Company.
3. The member should not be board member of other major company, subsidiaries, or minor companies only for the registered companies.
4. The member should not be any individual that operates in the similar types of business and competing against the Company or become partners or board members in other business with similar conditions and competing against the business of the Company whether for own benefit or other benefits. The only exception is if the member notified to the meeting of the board members prior to the appointment.

#### **5. The nomination of executive committee**

The executive committee consist of and/or no less than 3 executives members. The Nomination and Compensation Committee will nominating executive committee based on qualities as follow.

1. The qualities of the executive committee are knowledge, capabilities and experiences that will benefits the business operation of the Company. They should also be honest and have moral in business operations with adequate time to sacrifice knowledge, capabilities and full responsibilities to the Company.
2. The executive committee should be qualified and is not incompatible based on the law of Public Company Limited company as well as law based on asset and Stock Exchange or any related laws.

#### **6. The nomination of Managing Director**

The Nomination and Compensation Committee will consider individual with capabilities and qualities suitable for the position of Managing Director. The Committee will takes into consideration on qualification, knowledge, experiences, capabilities, and special areas of expertise in related fields that is necessary will be beneficial to the business operation of the Company and present to the board member or shareholders (case by case) to consider for further appointment.

#### **8.4 The monitoring of business operations for subsidiary company and joint venture**

In governing the administration of the subsidiaries and associates, the company will appoint the company's qualified and experienced representative as a committee in the relevant invested transaction of that subsidiaries and

associates. That representative could be a chair committee, chief executive officer, committee, chief executive, or anyone who doesn't gain any conflict of interest with the transaction of those subsidiaries and associates. This is to enable the company in governing the transaction and the transaction of the subsidiaries and associates like one unit of the company. Therefore, it's determined that the representative must navigate the administration of the subsidiaries and associates in following the relevant law of the concerning transaction of the subsidiaries and/or associates. In addition, the appointing of the representative as the committee in those subsidiaries and associates must be correspondent with the equity ratio of the company and/or the agreement in case of the associates.

The company will closely follow up the performance of the subsidiaries and associates, as well as regulate and audit data and accounting records of the subsidiaries and associates.

#### **8.5    The support in using internal information**

The Company prioritizes in the prevention of internal information for own benefits or benefits of board members, executives, or employees to be fair and equal to all stakeholders. It will also base on the rules and regulation of the Securities and Exchange Commission. The Company specifies policy regarding internal information usages and announces board members, executives, and employees to follow, with key point that can be concluding as follow.

1.     Provides knowledge to board member, executives as well as high-level management executives in finance and accounting department that has position as manager or equivalent (according to the definition by Security and Exchange Commission and Stock Exchange of Thailand) regarding assigned responsibly and disclosed of own information on the securities and derivatives holding of the Company, spouse or cohabiting couple, minor child and juristic person wherein oneself, spouse or cohabiting couple and minor child hold shares at an aggregate amount exceeding thirty percent of the total voting shares of such juristic person and such aggregate shareholding is the largest proportion thereof to the SEC on Section 59 and penal code from The Securities and Exchange Act B.E. 2535 (with additional revised plan).
2.     Specifies board members and executives as well as high-level management executives in finance and accounting department that has position as manager or equivalent (according to the definition by Security and Exchange Commission and Stock Exchange of Thailand) to create and disclosed of own information on the securities and derivatives holding of the Company, spouse or cohabiting couple, minor child and juristic person wherein oneself, spouse or cohabiting couple and minor child hold shares at an aggregate amount exceeding thirty percent of the total voting shares of such juristic person and such aggregate shareholding is the largest proportion thereof within 7 working days from the first date of changes to securities and derivatives holding of the Company, and they should also report the change of securities and derivatives holding within 3 working days from the date of purchase, sale, transfer or acceptance of transfer of securities or derivatives holding. Thus, this is according to the principles and approach by the Securities and Exchange Commission.

### **8.6 Compensation for financial auditors**

The Company offer compensation for financial audit for the year of 2018 ended on 31 December 2018 to financial auditors for the total of 2.09 million baht which consist of financial audit for the total of 1.8 million baht and other service fees of 0.29 million baht. This is external expenses excluding to financial audit such as travel or food allowance.

### **8.7 Implementation of Corporate Governance Code 2017**

The company has recognized the importance of the application of Corporate Governance Code 2017 (CG Code 2017) developed by the Securities and Exchange Commission (SEC) promulgated since March 2017. The company is scheduled to review the corporate governance policies of the company annually. With the following purposes of review:

- (1) To ensure that the business operation of the company has transparent corporate governance that is accountable which will increase confidence to investors.
- (2) To ensure that the company has complied with the Good Corporate Governance Principles of the Stock Exchange of Thailand B.E. 2555 (2012) and the CG Code 2017 of the Securities and Exchange Commission.
- (3) To ensure that the company has following up and monitoring the implementation of policies to be used to ensure the suitable for the company's business and the situation and operation of the company is always.

Thus, the board of director has reviewed The Principles of Corporate Governance policy and considers that such policy is appropriate. The Commission considers that the company has complied with the Corporate Governance Code 2017 developed and communicated to executives and employees acknowledged and treated continuously. Including following up and monitoring the implementation of policies to be used to ensure the suitable for the company's business And the situation and operation of the company is always.

### **8.8 Other operation plans based on the principles of corporate good governance**

- None -

## 9. Corporate Social Responsibilities: CSR

The Company is determined to develop its business for a sustainable growth in align with responsibilities toward society. Thus, to be in according to a sustainable business development of the Company, the board members specify policy regarding Corporate Social Responsibilities or CSR. The Company will operate under good governance and holds to the principles of ethics in align with responsibilities toward environment and society. The Company will work to be aware and take responsibility toward the society. The Company will takes into consideration of stakeholders of the organization both internally and externally from shareholders, employees, customers, community as well as society. The Company has specified approach in Corporate Social Responsibility as follow.

### 9.1 Overall policy

The Company promotes and support board members, executives, and employees to participate and take part in society through activities to work together to create a better way of life for the society, community and environment consistently. This will also help develop economy and society and will result in to the success of the Company. The practice approaches are as follow.

#### Fair business operations

The Company prioritizes in business operations by following the competitive framework that is honest and fair under the legal as well as morals of the business. The Company holds to the equitable competition policy to receive equally return for both parties. To operate in a business with trading partners should not result in any discredit to the Company or against the law. There will be business operation principles as follow.

1. To not demand, receive or agree to accept any asset or other benefits that is beyond trading agreement or trading policy.
2. To continues create relationship and good collaboration with suppliers to enhance potential and efficiency in long-term business operations.
3. To maintain customers' confidentiality or maintain the confidentiality of trading partner information, and to not use for own benefits or other related parties wrongfully.
4. The Company will not operate any business that is related to intellectual property rights as well as will promote executives and employees to use resources and assets of the Company effectively. The Company will promote the executive and employees to use products and services that have copyright and will not promote products or act that is violate intellectual property rights.
5. The Company is against any unjust competition and will not operate in setting prices to eliminate competitors. The Company will set prices by taking into consideration of market conditions, purchasing demand as well as other cost that is related. Additionally, the Company also has a purchasing policy to assign clear operational methods to be fair for all parties.
6. The Company has assign complaint channels regarding unjust behaviors with a complaint center at the Company as well as via the website of the Company.

### Anti-corruption policy

The Company will operate the business with transparent and hold the principles of right and fairness. The Company also has an 'Anti-Corruption' guideline as well as support activities that promote and educate executives and employees to act according to the law and related companies' rules and regulations. The Company does not promote in having success from any dishonesty or corruption. Thus, the board members of the Company have appointed 'Anti-Corruption' policy as follow.

1. To not operates or takes part in any form of corruption, whether it is direct or indirect channels.
2. Board members, executives, and employees will not engage or support any forms of corruption and will strictly prohibit any corruption acts.
3. Board members, executives, and employees have responsibility to operate according to the good governance policy that prohibits any corruption. The Company board members will appoint executives to create 'Anti-Corruption' measurement to communicate and act upon.
4. It is prohibiting for all Company board members, executives, and employees to engage in any act that involves demanding or accepting assets or any own benefits or others, or to wrongfully neglect their responsibilities that could lead to the Company's loss of its own legitimate benefits.
5. It is prohibiting for all Company board members, executives and employees to offer or present any asset or benefits to other individual to persuade them to act or neglect to the law or toward their own responsibilities.
6. To creates an honest organization culture and hold to a fair culture in the organization.
7. To creates employees' training within the organization to promote employees to be honest toward their responsibilities and willing to bring the principles and morals in the policy to strictly operate a business as the main principle for the entire organization.
8. The Company will create employees management process to reflect the determination of the Company toward Anti-corruption measurement from the selecting of employees, training, to performance evaluation, bonus and compensations, and position promotions.
9. The Company will create internal investigation to ensure that the internal system will help the Company to achieve the target. The Company will also investigate the operations of all sectors to be according to rules and regulations and together help seek for any faults and will provide suggestions to develop effective and efficient operation system based on the approach to maintaining good governance of the organization.
10. The Company will cooperate with government sector in appoint all related parties with the govern to disclosed any accounts to Office of the National Anti-Corruption Commission (NACC).
11. To appoints the Company secretary, internal audit or any other individual that the board members have appointed to help support corporate governance.

**Fair practice in labor**

The Company has a policy to treat all employees with fairness without any conditions that will lead in the Company to treat all employees unfairly. This is to be fair to all employees; the Company has a system to look after employees thoroughly with fairness. (This is based on the regulations on business operations of the Company) which are as follow.

1. The Company will look after all employees' reward and compensation appropriately and fairly without any demand from employees.
2. The Company will not discriminate and at the same will treat all employees equally
3. In case any complaint by employees, the Company has, a clear process and complaint methods and the Company will find a solution to end the dispute fairly to terminate any issues within the boundary so it will not expand into a wider range of conflicts.
4. As the Company prioritizes and foresees importance in equality, the Company has a regulation to treat all employees with fairness and not to discriminate one or another. This will base on Code of Conduct and will be use as employees' guidelines. The guideline is part of 'rule and regulation of employees" that all employees must follow. Thus, the Company has clarified regarding the Code of Conduct to all employees at the first day of employment. The Company also emphasizes the details in the employees training session.

**Responsibility toward consumers**

The Company prioritizes the responsibilities toward stakeholders in the supply chain, which are customers, partners, and business competitors. The Company also announces Code of Conduct to use as a model in business operation of the Company with the regulations in responsibility toward customers as follow.

1. Delivers quality product and services in align with or higher than customers' expectations under fair conditions.
2. Provides correct product information and sufficient service in a real-time situations to the customers without exaggeration on the quality of the products or certain services.
3. Contacts customers with politeness and efficiency so the customers will trust in the Company and establish a plan of a process that customers can file complaint on quality and safety of products and services.
4. Maintains customers' confidentiality, do not use the information wrongfully on one's own benefit or other third parties.
5. Establishes vast marketing communication channels such as communication through the recommendations of salesperson or through the Company's website.

**Responsibility toward society, community, and environment**

The Company prioritizes the development for the way of lives to community and society based on a sustainable development approach as follow.

1. Promotes and supports education in the society.
2. Creates employment and consistently develop labor skills of the Company in the area.

3. Plans, manages, and controls activities that could result in any form of pollutions.
4. Recycles the waste to use in the production process.
5. Holds to the moral principle in making decisions on different production activities.

### **9.2 Specification on action plan and performance reports**

The Company has specified the board members regarding Corporate Social Responsibility (CSR) to create CSR plan to present to the board of executives annually. The Company also specify budget in the CSR operation for each year and take into consideration on approach to Corporate Social Responsibility (CSR) framework to align with the suitability of business operation. This is applied in both financial conditions and business turnover. There will be also a performance report to present to executives for at least once a year.

### **9.3 Business operation that affect social responsibilities (if any)**

In the previous year, the Company has not encountered any legal dispute nor has it released any public news that could significantly affect business operations, reputations, or reliability of the Company.

### **9.4 Activities to benefit society and environment**

1. **Educational development**: The Company foresees the importance of education, which is key factor that affect the development of the country. At present, schools in the rural area still lack resources and school supplies that will thoroughly promote education development. The Company begins its initiative in different projects to support community's schools such as the support of scholarship for good student.
2. **Religious preservation**: The Company believes that when people within the community pay respect and follow the teachings of every religion, it will helps the members of the community to understand ethical and moral principles. This is the key part that makes our society a better place to live. The Company created different projects to be part of religious preservation and support community's moral standard: for example, the reconstruction of the temple.
3. **The development of community way of life**: The Company believes that community development can start from the development for way of life for people in the community. The Company and local government sectors will collaborate to build homes and create hopes for underprivileged persons. This will help develop way of lives for underprivileged person and sustainably develop community.



**10. Internal control and risk management**

**10.1 Opinions of the Company's board members toward internal audit system**

In the meeting of the Board of Director no. 1/2019 held on 27 February 2019, the board members of the Company have taken into consideration and assess the sufficiency of the Company internal audit. It was completed through data collection from executives, related sectors and Deloitte Touche Tohmatsu Jaiyos Advisory Co.,Ltd (“Internal auditors”) referring to the internal auditors report and monitoring of improvement for internal auditor report dated on 8 January 2019 as well as annual internal audit project for Year 2018. It can be conclude regarding the result for the internal assessment of the Company in 5 areas as follow: 1) Control Environment 2) Risk Assessment 3) Control Activities 4) Information & Communication and 5) Monitoring

The board members stated that The Company internal control system is sufficient and appropriate to the size of the business and current business conditions. The Company has sufficient employees to operate systematically and effectively. There is also an adequate amount of transaction with competitive and related parties. For other topics of internal control system, the board members considered that the Company also has a sufficient internal control

**10.2 Opinions of the auditors**

For 2018, the internal auditors has operated internal audit for the year of 2018 by inspect 8 processes which are 1) sales and payment process 2) purchase and payment process 3) permanent asset management process 4) inventory products management and cost accounting process 5) production process 6) maintenance process and implementation on environmental standards 7) financial and accounting process and 8) permanent asset process. There are 17 remarks which are low importance for the total of 11 processes and medium importance for the total of 6 processes. There is also 1 suggestion. From following up the improvement based on the internal audit in first quarter to third quarter in 2018, it is found that the Company has improved internal control systems according to the internal auditors are 13 stated issues, and is in process 1 issue, that the company will improve the stated issue completely and appropriately.

Additionally, for the remarks that are found in fourth quarter of 2018 that include 2 processes with low importance and 1 process with medium importance , the internal auditors will inspect for further follow up in first quarter of 2019. The internal auditor will report to the inspection board and the board members stated that the Company possesses sufficient internal control system for its business operation. The internal control system of the Company will also corresponds to the criteria of SEC: Securities and Exchange Commission and the Stock Exchange of Thailand.

**10.3 Information of the internal audit chief and operation chief**

The Company has hired internal auditors from external sectors which is Deloitte Touche Tohmatsu Jaiyos Advisory Co.,Ltd to inspect internal control system of the Company. The internal auditors have assigned board members to inspect internal control system of the Company.

The board members has taken into consideration qualifications of assigned board member that they are suitable as they are independent agency and have high experiences in internal audit for reasonable amount of times.

Thus, the board members will be the people who consider the independent of internal auditor agency as well as approve in appoint, removal, or dismissed of internal auditors chef or other responsible sector related to the Company internal audit.

11. Connected transactions11.1 Connected transactions between companies/related parties

Related transactions between companies/related parties for the end date as of 31 December 2018 is as follow.

1. **S.Kleber Chemical Co., Ltd ("S.Kleber Chemical")**

Relations: Subsidiary of the company, the Company hold 100 percent of the total share capital and interrelated board members of the Company, executive of the company is a board member in S.Kleber Chemical. A paid-up capital 50 percent of the total registered capital.

No.	Types of items	Value of items (Million baht)	Necessity and reasonability
1.	The Company paid partial investment to S.Kleber Chemical.	50.00	<ul style="list-style-type: none"> <li>- The Company paid partial investment to S.Kleber Chemical.</li> <li>- The particular transaction is to support investment plan and business of the Company</li> </ul> <p><u>Opinions of Auditing Committees</u></p> <ul style="list-style-type: none"> <li>- The Auditing Committees takes into consideration and sees that the particular item is reasonable and beneficial to the Company. And in the framework that approved by the Board of Directors</li> </ul>

2. **Sahakij Saentung Co., Ltd ("Sahakij Saentung")**

Relations: A related companies with interrelated board members of the Company and consist of the Company's board member that is a shareholder in 20.00 percent proportion of paid-up capital.

No.	Types of items	Value of items (Million baht)	Necessity and reasonability
1.	The Company purchased wood materials from Sahakij Saentung	81.30	<ul style="list-style-type: none"> <li>- The Company purchased wood materials from Sahakij Saentung which is a main material in production for the Company.</li> <li>- The purchasing price is according to the Company regulation in selecting and purchasing wood materials, which uses in all wood materials distributors. Thus, the period of payment that the Company had agreed with Sahakij Saentung is not more than the payment period that the Company has agreed with other wood material distributor. Thus, the Company expected that this item would continue to occur in the future.</li> </ul>

No.	Types of items	Value of items (Million baht)	Necessity and reasonability
			<p><u>Opinions of Auditing Committees</u></p> <ul style="list-style-type: none"> <li>- The Auditing Committees takes into consideration and sees that the particular item is reasonable with purchasing price and trade policy that can be compare to other trading partners of the Company.</li> <li>- This is considered an important item and expected to occur continuously in the future. Thus, the Auditing Committees has appointed an individual as an auditor to inspect wood materials purchase from related companies if it is according to regulation in selecting and purchasing wood materials or not. The auditor will need to further report the inspection result to the Auditing Committees every quarter.</li> </ul>

### 3. Sahakij Klaeng Co., Ltd ("Sahakij Klaeng")

Relations: A related companies with interrelated board members of the Company and consist of the Company's board member to that is a shareholder in 62.50 percent proportion of paid-up capital.

No.	Types of items	Value of items (Million baht)	Necessity and reasonability
1.	The Company purchased wood materials from Sahakij Klaeng	42.19	<ul style="list-style-type: none"> <li>- The Company purchased wood materials from Sahakij Klaeng which is a main material in production for the Company.</li> <li>- The purchasing price is according to the Company regulation in selecting and purchasing wood materials which uses in all wood materials distributors. Thus, the period of payment that the Company had agreed with Sahakij Klaeng is not more than the payment period that the Company has agreed with other wood material distributor. Thus, the Company expected that this item would continue to occur in the future.</li> </ul> <p><u>Opinions of Auditing Committees</u></p> <ul style="list-style-type: none"> <li>- The Auditing Committees takes into consideration and sees that the particular item is reasonable with purchasing price and trade policy that can be comparing to other trading partners of the Company.</li> <li>- This is considered an important item and expected to occur continuously in the future. Thus, the Auditing Committees has appointed an individual as an auditor to inspect wood materials purchase from related companies if it is according to regulation in selecting and purchasing wood materials or not. The auditor will need to further report the inspection result to the Auditing Committees every quarter.</li> </ul>

No.	Types of items	Value of items (Million baht)	Necessity and reasonability
2.	The Company hired Sahakij Klaeng to transport goods (Transportation costs)	0.46	<ul style="list-style-type: none"> <li>- The Company hired service providers to transport goods via truck and/or tractor to transport goods to domestic customers or transport goods to sea port to transport to international customers. From factors regarding price and readiness of the service, the transportation costs of Sahakij Klaeng is similar to other transportation service providers, which are third parties.</li> <li>- The particular item is an item to support regular business that could occur based on necessity of the Company business operations.</li> </ul> <u>Opinions of Auditing Committees</u> <ul style="list-style-type: none"> <li>- The Auditing Committees takes into consideration and sees that the particular item is reasonable with services fees and trade policy that can be comparing to services from third parties.</li> </ul>

#### 4. S.Kijchai Wood Panel Co., Ltd ("S.Kijchai Wood Panel")

Relations: A related companies with interrelated board members of the Company and consist of the Company's board member that is a shareholder in proportion of 37.50 percent. There is a marriage spouse of the Company board members that is a shareholder with proportion of 37.50 percent, and parent of the Company board members that is a shareholder in 25.00 percent proportion of paid-up capital.

No.	Types of items	Value of items (Million baht)	Necessity and reasonability
1.	The Company distributed wood chip to S.Kijchai Wood Panel	0.01	<ul style="list-style-type: none"> <li>- The Company distributed wood chip to S.Kijchai Wood Panel for using as fuel in production and operation process.</li> <li>- The particular item occurs for the benefit of the Company.</li> </ul> <u>Opinions of Auditing Committees</u> <ul style="list-style-type: none"> <li>- The Auditing Committees takes into consideration and sees that the particular item is reasonable and beneficial to the Company and the price is reasonable.</li> </ul>
2.	The Company distributed electric to S. Kijchai Wood Panel	14.73	<ul style="list-style-type: none"> <li>- The Company installed electric transformer that will be able to purchase high voltage electric to responds to the increase needs of electric usage of the Company to extend production capacity. The Company distributes current excess electric to S.Kijchai Wood which is located in the nearby area. The price is based on retail electricity price of Provincial Electricity Authority.</li> <li>- The particular item is part of item to support investment plan and business of the Company</li> </ul> <u>Opinions of Auditing Committees</u> <ul style="list-style-type: none"> <li>- The Auditing Committees takes into consideration and sees that the particular item is reasonable and beneficial to the Company and the price is reasonable</li> </ul>

No.	Types of items	Value of items (Million baht)	Necessity and reasonability
3.	The Company hired S.Kijchai Wood Panel to transport goods to customers in the country use of other types of services.	0.82	<ul style="list-style-type: none"> <li>- The Company needs to hire transportation via truck to transport goods of the Company to customers in the country. Thus, as the selling price of the product is inclusive of the transportation costs, the factor regarding the service readiness is a key, S.Kijchai Wood Panel which is located near the Company has high availability and can request for services conveniently and in a fast-paced level.</li> <li>- The particular item is an item to support regular business that could occur based on necessity of the Company business operations.</li> </ul> <p><u>Opinions of Auditing Committees</u></p> <ul style="list-style-type: none"> <li>- The Auditing Committees takes into consideration and sees that the particular item is reasonable with services fees and trade policy that can be comparing to services from third parties.</li> </ul>
4.	The Company purchased cement board from S.Kijchai Wood Panel	0.07	<ul style="list-style-type: none"> <li>- The Company purchased cement board from S.Kijchai Wood Panel for using in new production line of the company.</li> <li>- The particular item is a necessity item</li> </ul> <p><u>Opinions of Auditing Committees</u></p> <ul style="list-style-type: none"> <li>- The Auditing Committees takes into consideration and sees that the particular item is reasonable and beneficial to the Company and the price is reasonable</li> </ul>

5. S.Kijchai Co., Ltd (“S.Kijchai”)

Relations: A related companies with interrelated board members of the Company and consist of the Company’s board member that is a shareholder in proportion of 37.50 percent. There is a marriage spouse of the Company board members that is a shareholder in proportion of 37.50 percent, and parent of the Company board members that is a shareholder in 25.00 percent proportion of paid-up capital.

No.	Types of items	Value of items (Million baht)	Necessity and reasonability
1.	The Company distributed electric to S.Kijchai for production and operation process.	23.96	<ul style="list-style-type: none"> <li>- The Company installed electric transformer that will be able to purchase high voltage electric to responds to the increase needs of electric usage of the Company to extend production capacity. The Company distributes current excess electric to S.Kijchai which is located in the nearby area. The price is based on retail electricity price of Provincial Electricity Authority.</li> <li>- The particular item is part of item to support investment plan and business of the Company</li> </ul> <p><u>Opinions of Auditing Committees</u></p> <ul style="list-style-type: none"> <li>- The Auditing Committees takes into consideration and sees that the particular item is reasonable and beneficial to the Company and the price is reasonable</li> </ul>
2.	The Company distributed MDF board to S.Kijchai for production and operation process.	8.87	<ul style="list-style-type: none"> <li>- The Company distributed MDF board to S.Kijchai for operation process. S.Kijchai is a large-scale domestic customer with high purchase volume and selling prices is ex-work which is remain in the same selling price level after the deduction of transportation cost for other large-scale domestic customers. Thus, the price that the Company distributes to S.Kijchai can be comparing to other large-scale domestic customers of the Company.</li> <li>- The particular item is an item to support regular business that could occur based on necessity of the Company business operations</li> </ul> <p><u>Opinions of Auditing Committees</u></p> <ul style="list-style-type: none"> <li>- The Auditing Committees takes into consideration and sees that the particular item is reasonable with purchasing price and trade policy that can be compare to other trading partners of the Company</li> </ul>

No.	Types of items	Value of items (Million baht)	Necessity and reasonability
3.	The Company hired S.Kijchai to transport goods. (Transportation costs)	0.05	<ul style="list-style-type: none"> <li>- The Company needs to hire transportation via truck to transport goods of the Company to customers in the country. Thus, as the selling price of the product is inclusive of the transportation costs, the factor regarding the service readiness is a key S.Kijchai which is located near the Company has high availability and can request for services conveniently and in a fast-paced level.</li> <li>- The particular item is an item to support regular business that could occur based on necessity of the Company business operations</li> </ul> <p><u>Opinions of Auditing Committees</u></p> <ul style="list-style-type: none"> <li>- The Auditing Committees takes into consideration and sees that the particular item is reasonable with services fees and trade policy that can be comparing to services from third parties.</li> </ul>
4.	The Company hired S.Kijchai to complete the process of MDF board surface and use of other types of services.	1.03	<ul style="list-style-type: none"> <li>- Other items of expenses between the Company and S.Kijchai mainly come from hiring for S.Kijchai to complete the process of MDF board surface based on customers' preferences. This is because at present, the Company still did not possess wood surface production line.</li> <li>- The particular item is a necessity item to support business operation and for the Company business operations to have continuous flow.</li> </ul> <p><u>Opinions of Auditing Committees</u></p> <ul style="list-style-type: none"> <li>- The Auditing Committees takes into consideration and sees that the particular item is beneficial to the Company.</li> </ul>
5.	The Company distributed door skin machine and vehicles to S.Kijchai. and other income	3.13	<ul style="list-style-type: none"> <li>- The Company distributed door skin machine to S.Kijchai due to the company has stopped the production of door skin since the first quarter of 2016, the machine's price can be comparing with the market price.</li> <li>- The Company distributed vehicles to S.Kijchai due to the company did not need to use it, its price can be comparing with the market price.</li> <li>- The particular item occurs for the benefit of the Company and the particular item didn't cause any loss of the Company.</li> </ul> <p><u>Opinions of Auditing Committees</u></p> <ul style="list-style-type: none"> <li>- The Auditing Committees takes into consideration and sees that the particular item is reasonable and the price is also reasonable.</li> </ul>

No.	Types of items	Value of items (Million baht)	Necessity and reasonability
6.	The Company purchased office equipment from S.Kijchai.	0.46	<ul style="list-style-type: none"> <li>- The Company purchased customized furniture and office equipment from S.Kijchai as the quality is according to the needs of the Company with a price that is reasonable and similar to the market price. Thus, the company predicts that the purchase of this asset could re-occur in the future, only in the case of necessity.</li> <li>- The particular item is one of the necessity item to provide convenient to the Company.</li> </ul> <p><u>Opinions of Auditing Committees</u></p> <ul style="list-style-type: none"> <li>- The Auditing Committees takes into consideration and sees that the particular item is reasonable and beneficial to the Company and the price is reasonable</li> </ul>

6. S.Kijchai Concrete Part., Ltd ("S.Kijchai Concrete")

Relations: A related companies with interrelated board members of the Company and consist of the Company's board member that is a shareholder in 50.00 percent proportion of S.Kijchai Concretes' paid-up capital. There is a marriage spouse of the Company board members that is a shareholder in proportion of 25.00 percent, and a mother of the Company board members that is a shareholder in proportion of 25.00 percent.

No.	Types of items	Value of items (Million baht)	Necessity and reasonability
1.	The Company purchased ready-mixed concrete for construction purposes, and other services.	12.74	<ul style="list-style-type: none"> <li>- The Company purchased ready-mixed concrete from S.Kijchai Concrete to construct new production line, and renovate existing building.</li> <li>- The particular item is a necessity.</li> </ul> <p><u>Opinions of Auditing Committees</u></p> <ul style="list-style-type: none"> <li>- The Auditing Committees takes into consideration and sees that the particular item is reasonable and the selling price is similar to the market price.</li> </ul>



7. **Sahakij Klaeng Logistics Co., Ltd** (“Sahakij Klaeng Logistics”)

Relations: A related companies with interrelated board members of the Company and consist of the Company's board member that is a shareholder in 60.00 percent proportion of Sahakij Klaeng Logistics' paid-up capital.

No.	Types of items	Value of items (Million baht)	Necessity and reasonability
1.	The Company hired Sahakij Klaeng Logistic to transport goods to customers in the country and transport goods to sea port for export	3.52	<ul style="list-style-type: none"> <li>- The Company hired service providers to transport goods via truck and/or tractor to transport goods to domestic customers or transport goods to sea port for export. From factors regarding price and readiness of the service, the transportation costs of Sahakij Klaeng Logistic is similar to other transportation service providers which are third parties</li> <li>- The particular item is an item to support regular business that could occur based on necessity of the Company business operations</li> </ul> <p><u>Opinions of Auditing Committees</u></p> <ul style="list-style-type: none"> <li>- The Auditing Committees takes into consideration and sees that the particular item is reasonable with services fees and trade policy that can be comparing to services from third parties.</li> </ul>

8. **S.Plywood Co., Ltd** (“S.Plywood”)

Relations: A related companies with interrelated board members of the Company and consist of the Company's board member that is a shareholder in 67.00 percent proportion of S.Plywood paid-up capital. There is a marriage spouse of the Company board members that is a shareholder in proportion of 10.25 percent, and a mother of the Company board members that is a shareholder in proportion of 10.25 percent

No.	Types of items	Value of items (Million baht)	Necessity and reasonability
1.	The Company purchased plywood for construction materials purposes of capacity expansion project of the company.	0.001	<ul style="list-style-type: none"> <li>- The Company purchased plywood from S.Plywood for construction materials purposes of capacity expansion project of the company.</li> <li>- The particular item is one of the necessity.</li> </ul> <p><u>Opinions of Auditing Committees</u></p> <ul style="list-style-type: none"> <li>- The Auditing Committees takes into consideration and sees that the particular item is reasonable and the selling price is similar to the market price.</li> </ul>

### 11.2 Measurements or approval process of related transactions

The Company has specified measurements and process of approval for related transactions. This is because to engage in related transaction with individual who may encounter conflict will be taken into consideration and suitability of the particular transaction from the Auditing Committees. This will prioritize the Company benefits as the main importance. In case that the Auditing Committees is lack of experience in consideration of any related transactions (if any), the Company will invite independent experts or the Company auditor will provide opinions regarding the related transaction. This is to use to provide rational in align with opinions or the decisions of the Auditing Committees and/or board members and/or shareholders, case by case.

### 11.3 Future tendencies to engage in related transactions

The Company may still need to continue to engage in related transactions with business and/or individual with conflict in the future as the related transactions is a necessity and benefits the Company.

The related transaction with our subsidiary company, with at least own 50% by the company, is likely to occur in the future on the continual basis. However, the board of directors of the company will obey the security law, rules & regulations of the Stock Exchange of Thailand and the Federation of Accounting Professions ("FAP") and with generally accepted accounting principles in Thailand. Moreover, the company will consider the reasonable reason of the transactions.

12. Highlight of financial performance

12.1 Financial budget

Financial conditions

On 31 December 2016, 2017, and 2018

List of items	2016		2017		2018	
	Million baht	%	Million baht	%	Million baht	%
<u>Assets</u>						
<u>Current assets</u>						
Cash and cash equivalent items	193.75	9.74	725.73	27.92	59.65	1.79
Trade and other receivables	38.20	1.92	29.54	1.14	56.75	1.70
Inventories	89.22	4.48	46.28	1.78	152.30	4.57
Other current assets	36.69	1.84	50.32	1.94	40.71	1.22
<b>Total current assets</b>	<b>357.86</b>	<b>17.99</b>	<b>851.87</b>	<b>32.78</b>	<b>309.40</b>	<b>9.27</b>
<u>Non-current asset</u>						
Restricted bank deposits	5.12	0.26	5.17	0.20	5.21	0.16
Property, plant and equipment	1,621.54	81.50	1,596.47	61.43	3,002.39	90.00
Advanced payment for machine	-	-	141.02	5.43	5.10	0.15
Intangible assets-net	5.08	0.26	4.32	0.17	13.76	0.41
Other non-current asset	-	-	0.03	-	0.04	-
<b>Total non-current assets</b>	<b>1,631.74</b>	<b>82.01</b>	<b>1,747.01</b>	<b>67.22</b>	<b>3,026.50</b>	<b>90.73</b>
<b>Total assets</b>	<b>1,989.60</b>	<b>100.00</b>	<b>2,598.88</b>	<b>100.00</b>	<b>3,335.90</b>	<b>100.00</b>
<u>Liabilities and shareholders' equity</u>						
<u>Current liabilities</u>						
Overdrafts and short-term loan from financial institutions	-	-	-	-	90.00	2.70
Trade and other payables	382.13	19.21	200.59	7.72	300.04	8.99
Debts that will mature in one year	204.72	10.29	0.12	-	142.86	4.28
Short-term debts from related parties	-	-	-	-	-	-
Advance received for goods	105.80	5.32	39.26	1.51	52.38	1.57
Other current liabilities	0.68	0.03	0.87	0.03	0.60	0.02
<b>Total current liabilities</b>	<b>693.33</b>	<b>34.85</b>	<b>240.84</b>	<b>9.27</b>	<b>585.87</b>	<b>17.56</b>

List of items	2016		2017		2018	
	Million baht	%	Million baht	%	Million baht	%
<b>Non-current liabilities</b>						
Long-term loan from financial institutions	506.13	25.44	10.26	0.39	324.16	9.72
Long-term debts under financial leasing	0.12	0.01	-	-	-	-
Deferred tax liabilities	50.79	2.55	67.22	2.59	23.55	0.71
Employee benefit obligations	2.70	0.14	2.39	0.09	3.28	0.10
<b>Total non-current liabilities</b>	<b>559.74</b>	<b>28.13</b>	<b>79.87</b>	<b>3.07</b>	<b>350.99</b>	<b>10.52</b>
<b>Total liabilities</b>	<b>1,253.07</b>	<b>62.98</b>	<b>320.71</b>	<b>12.34</b>	<b>936.86</b>	<b>28.08</b>
<b>Shareholders' equity</b>						
Registered capitals	800.00	40.21	800.00	30.78	800.00	23.98
Issued and paid-up share capital	600.00	30.16	800.00	30.78	800.00	23.98
Premium on share capital	-	-	1,225.98	47.17	1,225.98	36.75
Retained earnings						
Appropriated - legal reserve	19.61	0.99	30.91	1.19	41.29	1.24
Unappropriated	116.92	5.88	221.29	8.51	331.77	9.95
<b>Total shareholders' equity</b>	<b>736.53</b>	<b>37.02</b>	<b>2,278.17</b>	<b>87.66</b>	<b>2,399.04</b>	<b>71.92</b>
<b>Total liabilities and shareholders' equity</b>	<b>1,989.60</b>	<b>100.00</b>	<b>2,598.88</b>	<b>100.00</b>	<b>3,335.90</b>	<b>100.00</b>

Statement of Comprehensive Income

Ending on 31 December 2016, 2017, and 2018

(Unit: million baht)

List of items	2016		2017		2018	
	Million baht	%	Million baht	%	Million baht	%
Revenue from sales	1,477.69	99.03	1,566.15	98.77	1,540.08	98.02
Cost of sales	(935.11)	(62.67)	(1,060.18)	(66.86)	(1,116.18)	(71.04)
<b>Gross profits</b>	<b>542.58</b>	<b>36.36</b>	<b>505.96</b>	<b>31.91</b>	<b>423.89</b>	<b>26.98</b>
Other income	14.48	0.97	19.46	1.23	31.13	1.98
Selling expenses	(149.55)	(10.02)	(193.12)	(12.18)	(212.08)	(13.50)
Administrative expenses	(87.33)	(5.85)	(66.08)	(4.17)	(74.58)	(4.75)
<b>Earnings before interest and tax (EBIT)</b>	<b>320.18</b>	<b>21.46</b>	<b>266.21</b>	<b>16.79</b>	<b>168.37</b>	<b>10.72</b>
Financial costs	(42.04)	(2.82)	(24.04)	(1.52)	(5.25)	(0.33)
<b>Earnings before tax</b>	<b>278.14</b>	<b>18.64</b>	<b>242.18</b>	<b>15.27</b>	<b>163.12</b>	<b>10.38</b>
Tax expenses	(15.56)	(1.04)	(16.21)	(1.02)	43.67	2.78
<b>Net profit</b>	<b>262.58</b>	<b>17.60</b>	<b>225.96</b>	<b>14.25</b>	<b>206.79</b>	<b>13.16</b>
Other profits	-	-	0.86	0.05	-	-
<b>Total profits</b>	<b>262.58</b>	<b>17.60</b>	<b>226.82</b>	<b>14.30</b>	<b>206.79</b>	<b>13.16</b>
<b>Profit per share</b>						
Current profit	262.58		225.96		206.79	
Number of sold common shares and weighted averages (value at 1.00 baht per shares) (1 million shares)	600.00		653.15		800.00	
<b>Profit per shares (baht per share)</b>	<b>0.44</b>		<b>0.35</b>		<b>0.26</b>	

Statement of cash flow

Ending yearly on 31 December 2016, 2017, and 2018

(Unit: million baht)

List of items	2016	2017	2018
<b><u>Cash flows from operating activities</u></b>			
Profit before income tax	278.14	242.18	163.12
Adjustments to reconcile profit before income tax to net cash provided by (used in) operating activities			
Depreciation and amortization	107.01	116.95	136.05
Doubtful accounts	0.33	1.02	0.66
Loss from reduction of goods value (reversing entries)	-	-	0.01
(Profit) loss from unrealized exchange rates	0.50	0.64	(4.36)
Loss on write-off of assets	-	1.14	(2.51)
Loss on impairment of assets	6.45	-	-
Interest income	(0.06)	(2.02)	(1.45)
Finance costs	41.67	24.39	9.46
<b>Cash flow before changes in working capital</b>	<b>434.04</b>	<b>384.30</b>	<b>300.99</b>
Changes in working capital (increase) or decrease			
Trade and other receivables	(0.39)	7.46	(28.09)
Inventories	22.58	42.94	(106.03)
Other current assets	(2.41)	(13.63)	9.61
Restricted bank deposits	(0.06)	(0.04)	(0.05)
Change of operating activities assets increase or (decrease)			
Trade and other payables	18.76	14.82	3.94
Advanced payments	83.36	(66.54)	13.12
Other current liabilities	(0.08)	(0.23)	0.66
Employees benefits	1.31	0.77	0.89
<b>Cash received from operating activities</b>	<b>557.12</b>	<b>369.85</b>	<b>195.05</b>
Interest received	0.06	2.02	1.45
Income tax payment	-	(0.03)	(0.01)
<b>Net cash from operating activities</b>	<b>557.18</b>	<b>371.84</b>	<b>196.48</b>

(Unit: million baht)

List of items	2016	2017	2018
<b>Cash flow from investment activities</b>			
Purchase of plant and equipment	(14.16)	(69.31)	(1,440.82)
Advanced payment for machine	-	(141.02)	135.93
Purchase of intangible assets	(0.41)	(0.04)	(13.27)
Sale of assets	-	-	4.11
<b>Net cash for investment activities</b>	<b>(14.56)</b>	<b>(210.37)</b>	<b>(1,314.05)</b>
<b>Cash flow from financial activities</b>			
Overdrafts and short term loan from financial institutions increase or (decrease)	-	-	90.00
Received short-term loan from related parties	-	-	-
Payment for short-term loan from related parties	(15.78)	-	-
Received long-term loan from financial institutions	-	101.76	456.75
Payment for long-term loan from financial institutions	(197.64)	(801.64)	-
Payment for debts under financial leasing	(0.67)	(0.72)	(0.12)
Received cash to increase common shares	-	1425.98	-
Reduction of common shares	(120.00)	-	-
Payment for dividend	(36.56)	(330.29)	(85.92)
Payment for interests	(41.74)	(24.58)	(9.22)
<b>Net cash provided by (used in) financing activities</b>	<b>(412.39)</b>	<b>370.51</b>	<b>451.49</b>
<b>Cash and cash equivalents (decrease) or increase – net</b>	<b>130.22</b>	<b>531.98</b>	<b>(666.08)</b>
Cash and cash equivalents at the beginning of the year	63.52	193.75	725.73
<b>Cash and cash equivalents on ending date</b>	<b>193.75</b>	<b>725.73</b>	<b>59.65</b>

## 12.2 Key financial statement analysis

Ending on 31 December 2016, 2017, and 2018

List of items	2016	2017	2018
<b><u>Liquidity Ratio</u></b>			
Liquidity Ratio	0.52	3.54	0.53
Quick ratio	0.33	3.14	0.20
Cash ratio	0.91	0.8	0.48
Account receivable turnover	42.28	49.34	37.06
Average collection period (Day) <sup>1/</sup>	(7.11)	(9.37)	(1.00)
Inventory turnover	14.38	28.3	16.56
Average stock period (Day)	25.03	12.72	21.74
Account payable turnover	10.13	11.66	10.84
Average payment period (Day)	35.55	30.86	33.20
Cash Cycle (Day)	(17.63)	(27.52)	(12.46)
<b><u>Profitability Ratio</u></b>			
Gross margin (percent)	36.72	32.31	27.52
Earning before interest, tax, depreciation and amortization ratio (percent)	28.63	23.07	17.68
Earning before interest and tax ratio (percent)	21.46	16.79	10.72
Cash ratio for profit margin (percent)	174.02	139.68	116.70
Net profit margin (percent)	17.60	14.25	13.16
Return On Equity : ROE (percent)	36.73	14.99	8.84
<b><u>Efficiency Ratio</u></b>			
Return on assets: ROA (percent)	13.24	9.85	6.97
Return on permanent assets (percent)	22.13	20.18	13.58
Return on current assets	0.75	0.69	0.53
<b><u>Financial Policy Ratio</u></b>			
Debt to equity ratio	1.70	0.14	0.39
Interest Bearing debt to equity ratio	0.97	0.01	0.20
Interest coverage ratio	14.35	16.13	22.32
Cash basis	1.82	0.27	0.14
Dividend yield (percent) <sup>2/</sup>	91.07	40.03	39.99



Remarks:

<sup>1/</sup> Average collection period is calculate by (amount of period x average trade debtors/ proceeds of sales) – (amount of period x advance payment for average product/proceeds of sales)

<sup>2/</sup> The Company has also announced payment of dividend during interim of yearly retained earnings and business turnover of 6 months which end on 30 June 2016 for the total of 219.14 million baht (payment from retained earnings of 2015 which is 91.16 million baht and from business turnover in the period of 6 months that ended on 30 June 2016 which is equivalent to 127.98 million baht) The Company also pay dividend during interim from 3 months period for business turnover which ended on 30 September 2016 and predict business turnover for 3 months period which ended on 31 December 2016 for the total of 111.15 million baht. And The Company has also announced payment of dividend the turnovers on the closing account ended on 31 December 2017 for the total of 85.92 million baht. And The Company has also announced payment of dividend the turnovers on the closing account ended on 31 December 2018 for the total of 78.56 million baht.

## 13. Management Discussion and Analysis

### 13.1 Overview of Operating Results

In 2018, the Company's total revenues were 1,571.21 million baht, decreased of 14.39 million baht or 0.91% from 2017, due to higher sales volume and sales of products under CNF terms, but having an impact from appreciation of Thai baht and the selling price at the year end declined from the last year. Most of the company's revenues come from product sales which accounted for 98.02% of the total revenues.

#### 13.1.1 Analysis of operating results according to revenue structure

##### 1) Revenues from Sales

Revenue structure from overseas and domestic sales for 2017 and 2018

Description	For the fiscal year ended December 31			
	2017		2018	
	Mil. Bt.	%	Mil. Bt.	%
Revenue from overseas sales				
- MDF Board	1,529.93	97.69	1,503.25	97.61
Revenue from domestic sales				
- MDF Board	36.22	2.31	36.83	2.39
<b>Total revenue from sales</b>	<b>1,566.15</b>	<b>100.00</b>	<b>1,540.08</b>	<b>100.00</b>

The Company posted sales revenue of 1,566.15 million baht and 1,540.08 million baht in 2017 and 2018 respectively, decreased of 1.66%. The main reason was an increased in sales volume and sales of products under CNF term, but having an impact from exchange rate appreciation of Thai baht against US dollar from 2017 and the selling price at the year end declined in the end of year 2018. Based on the volatile international market situation due to globally political and commercial uncertainties, together with the revenue from the distributed new production line less than the forecasted rate, it resulted in decreased sales revenue. Revenues are classified as overseas sales and domestic sales.

Most of sales revenue of the company comes from sales of MDF boards to overseas customers. In 2017 and 2018, the proportion of sales of MDF boards to foreign countries accounted for 97.69% and 97.61% of total sales revenue respectively. As the overseas MDF Board markets are much larger than the domestic market, therefore, the company place greater emphasis on conducting sales and marketing in overseas countries. The company has customer base across many regions around the world, including the Middle East and Asia.

Regarding domestic sales revenue, in 2017 and 2018, the company reported revenue of 36.22 million baht and 36.83 million baht from sales of MDF boards in Thailand, accounted for 2.31% and 2.39% of the total sales revenue of the company, respectively. This is also because the company focuses on marketing and distribution in international markets. As a result, the percentage of revenue from sales in the country was relatively small when compared with the overseas sales of MDF Board.

2) Other revenues

The company has other incomes from gains from electricity sales, gain from exchange rate, sales of by-products from production and interest income. In 2018, the company reported other income of 31.13 million baht. The transactions incurred as the company sold excess electric power to nearby related companies, exchange gains and sales of by-products from production such as woodchips and sawdust.

3) Costs and expenses

Costs and Expenses for 2017 and 2018

Description	For the fiscal year ended December 31			
	2017		2018	
	Mil. Bt.	%	Mil. Bt.	%
Cost of sales	(1,060.18)	78.92	(1,116.18)	79.27
Selling expenses	(193.12)	14.37	(212.08)	15.06
Administrative expenses	(66.08)	4.92	(74.58)	5.30
Financial costs	(24.04)	1.79	(5.25)	0.37
<b>Total costs</b>	<b>(1,343.42)</b>	<b>100.00</b>	<b>(1,408.09)</b>	<b>100.00</b>

In 2018, the company posted cost of sales of 1,116.18 million baht, increased of 56.00 million baht, and accounted of 72.48% of total sales revenue. The main reason was increased sales volumes together with slightly increased production cost due to higher cost of energy.

Selling expenses increased significantly from the previous year of 18.96 million baht. This was mainly due to higher transportation costs from increase in sales volume and sales of products under CNF term resulted in increase in shipping costs.

In 2018, the administrative expenses increased of 8.50 million baht from 2017, mainly due to the general administrative expense of MDF board capacity expansion project, which was carried out in the first nine months of the year resulted in higher administrative expenses than the previous year. The capacity expansion project was completed in the third quarter and started commercial production in the fourth quarter in 2018.

Financial costs declined significantly from last year of 18.79 million baht due to repayment of long-term loans, which complied with the objectives of offering IPO of the company. As a result, the interest burden decreased.

## 13.1.2 Financial position

### 1) Total assets

The company's major assets as at December 31, 2017 and 2018

Description	For the fiscal year ended December 31			
	2017		2018	
	Mil. Bt.	%	Mil. Bt.	%
Cash and cash equivalents	725.73	27.92	59.64	1.79
Trade and other receivables	29.54	1.14	56.75	1.70
Inventories – net	46.28	1.78	152.30	4.57
Property, plant and equipment – net	1,596.47	61.43	3,002.39	90.00
Advance payment for purchase of machine	141.02	5.43	5.10	0.15
Other assets	59.84	2.30	59.72	1.79
<b>Total assets</b>	<b>2,598.88</b>	<b>100.00</b>	<b>3,335.90</b>	<b>100.00</b>

As at December 31, 2017 and 2018, the company had total assets of 2,598.88 million baht and 3,335.90 million baht respectively, representing an increase of 28.35%. The company's total assets comprised of property, plant and equipment, which accounted for approximately 61.43% and 90.00% of the total assets of the Company in 2017 and 2018 respectively. Significant changes in total assets were as follows:

1. Most of the cash and cash equivalent of the company are bank deposits, whereby cash and cash equivalent was significantly decreased as the Company utilized the proceeds obtained from IPO and from business operations to invest in capacity expansion in order to increase new production line completed in the third quarter of 2018.
2. Trade receivables accounted for 90-95% of total trade and other receivables. Meanwhile, other receivables of the company consisted of accrued revenue from electricity sales and sales of by-products etc., representing about 5% - 10% of total trade and other receivables.
3. The changes in the Company's inventories was mainly due to changes of finished products and goods in transit according to the quantity of products to be delivered and the time lag between the production completion and product delivery cycle. In 2018, the Company's net inventory was significantly increased due to increased finished goods from boosted capacity.
4. Property, plant and equipment – net of the Company increased due to new production line completed in the third quarter of 2018.
5. Advance payment for purchases of machine was significantly decreased as the machine vendors successfully delivered machines for the additional production line.

2) Total liabilities

The company's major liabilities as at December 31, 2017 and 2018

Description	For the fiscal year ended December 31			
	2017		2018	
	Mil. Bt.	%	Mil. Bt.	%
<b>Current liabilities</b>				
Trade and other payables	200.59	62.55	300.03	32.03
Liabilities due within one year	0.12	0.04	232.86	24.86
Advance payment for goods	39.26	12.24	52.38	5.59
Other current liabilities	0.87	0.27	0.60	0.06
<b>Total current liabilities</b>	<b>240.84</b>	<b>75.10</b>	<b>585.87</b>	<b>62.54</b>
<b>Non-current liabilities</b>				
Long-term loans from financial institutions	10.26	3.20	324.16	34.60
Long-term liabilities under financial lease	-	-	-	-
Deferred income tax liabilities	67.22	20.96	23.55	2.51
Employee benefits obligation	2.39	0.75	3.28	0.35
<b>Non-current liabilities</b>	<b>79.87</b>	<b>24.90</b>	<b>350.99</b>	<b>37.46</b>
<b>Total liabilities</b>	<b>320.71</b>	<b>100.00</b>	<b>936.86</b>	<b>100.00</b>

As at December 31, 2017 and 2018, the Company posted total liabilities of 320.71 million baht and 936.86 million baht representing, a increase of 192.12%. Most of the company's liabilities in 2017 is trade and other liabilities, accounted for approximately 60-65% of total liabilities. Meanwhile, in 2018, trade and other payables and loans from financial institutions or about 90-95% of total liabilities. Significant changes in total liabilities were as follows:

1. Trade and other payables were increased from the previous year. The reason is that in the year 2018, the payables of asset was increased as the company purchased machines to invest in capacity expansion. Furthermore, the Company had some payment terms that had not yet been due, causing the outstanding payables of asset
2. Liabilities due within one year and long-term loans from financial institutions were increased from 10.38 million baht to 557.02 million baht because the company asked for the loans from financial institutions for the purpose of MDF wood board capacity expansion.
3. Deferred income tax liabilities was lowered to 64.96% as in 2018, the Company recognized deferred tax assets. As the Company had annual loss during the beginning first production line operations, and had the right to utilize the annual loss, that occurred during that period, as the expense to deduct from profit that will be incurred after the corporate income tax exemption period.

## 3) Shareholders' equity

Shareholders' equity of the company as at December 31, 2017 and 2018

Description	For the year ended December 31	
(Unit: Mil. Bt.)	2017	2018
<b>Share capital</b>		
Registered capital	800.00	800.00
Issued and paid-up share capital	800.00	800.00
Premium on share capital	1,225.98	1,225.98
<b>Retained earnings (loss)</b>		
Appropriated - legal reserve	30.91	41.29
Unappropriated	221.29	331.77
<b>Total shareholders' Equity</b>	<b>2,278.18</b>	<b>2,399.04</b>

As at December 31, 2017 and 2018, the company had total shareholders' equity of 2,278.18 million baht and 2,399.04 million baht, respectively, representing an increase of 5.30%. The main reason was that the company's retained earnings increased from the operating results in 2018. Therefore, the appropriated profits - legal reserve and unappropriated profits increased from last year.

## 4) Liquidity

### 1. Cash flow

Description	For the year ended December 31	
(Unit: Mil. Bt.)	2017	2018
<b>Cash and cash equivalents at the beginning of the year</b>	<b>193.75</b>	<b>725.73</b>
Net cash provided by operating activities	371.84	196.48
Net cash used in investing activities	(210.37)	(1,314.05)
Net cash used in financing activities	370.51	451.49
<b>Cash and cash equivalents at the end of the year</b>	<b>725.73</b>	<b>59.65</b>

The company's net cash flow from operating activities for the years ended December 31, 2017 and 2018 was 371.84 million baht and 196.48 million baht respectively. Change in cash flow from the operating activities is due to the following reasons: 1) Earnings before income tax was decreased from Baht appreciation and the declined selling price in the end of 2018 by the volatile international market situation due to globally political and commercial uncertainties. 2) Changes of revolving fund in part of inventory which was increased from the previous year. This was a consequence of increased production from the increased capacity.

The company has used net cash flow for investing activities of 210.37 million baht and 1,314.05 million baht for the years ended December 31, 2017 and 2018 respectively. Changes of cash flow used in said investment activities in both 2017 and 2018. The Company expanded an additional invested production line completed in the third quarter of 2018.

The Company has used net cash flow for financing activities for the year ended 31 December 2017 and 2018 of 370.51 and 451.49 million baht respectively. Changes of such cash flow was increased in 2017 due to the Company's long-term loans for investment in an additional production line expansion.

## 2. Liquidity Ratio

Description	2017	2018	Increase/Decrease
<u>(Liquidity Ratio)</u>			
Liquidity ratio (times)	3.54	0.53	(3.01)
Quick ratio (times)	3.14	0.20	(2.94)
Cash flow liquidity ratio (times)	0.80	0.48	(0.32)

As of 31 December 2017 and 2018, the Company has decreased liquidity ratio and quick ratio due to decreased cash and cash equivalent, which were used for investment in capacity expansion project, as well as increased trade and other payables due to higher purchase of raw materials for supporting higher capacity and increased Liabilities due within one year due to long-term loans for investment in capacity expansion project.

Cash flow liquidity ratio was lowered than the previous year due to decreased net cash provided by operating activities together with increased current liabilities from the trade and other payables and liabilities due within one year.

## 3. Other important ratios

### Profitability ratio and efficiency ratio

Description	2017	2018	Increase/Decrease
<u>Profitability Ratio</u>			
Gross profit margin (%)	32.31	27.52	(4.79)
Operating profit margin (%)	16.79	10.72	(6.07)
Net profit margin (%)	14.25	13.16	(1.09)
Return on equity (%)	14.99	8.84	(6.15)
<u>Efficiency Ratio</u>			
Return on assets (%)	9.85	6.97	(2.88)
Return on fixed assets (%)	20.18	13.58	(6.60)

### Profitability Ratio

- Gross profit margin and operating profit margin decreased because of the major reason as follow:  
 1) decreased sales revenue due to the declined selling price in the end of 2018 as well as the appreciation of Thai bath, despite the increased sales volume and sales of products under CNF terms  
 2) Increased cost of sales due to increased sales volume and higher cost of raw materials, together with slightly increased production cost from higher energy consumption.  
 3) Increased cost of export due to higher sales volume and shipping cost from sales of products under CNF terms.

- The company posted lower net profit margin due to higher cost of sales and export expenses due to increase in prices of raw materials and sales volume. In addition, the declined selling price in the end of 2018 and as a result of Thai baht appreciation against the US dollar, the company's revenues in the form of Thai baht decreased. However, during the fourth quarter of 2018, the Company recognized the tax revenue. As the Company had annual loss during the beginning of first production line operations, and had the right to utilize the annual loss, that occurred during that period, as the expense to deduct from profit that will be incurred after the corporate income tax exemption period. This resulted in slightly decreased the Company's net profit.
- Return on equity decreased due to increased shareholders' equity. Based on increased retained earnings, increased registered capital and increased paid-in capital in excess of par as the Company issued the ordinary shares to the public on 26 September 2017.

### Efficiency Ratio

- Return on assets and Return on fixed assets was decreased as the company had more total assets in 2018 comprising with 2017 from the investment in expansion of an additional production line completed in the third quarter of 2018. This resulted in increased fixed assets of the company. Moreover, the decreased Company's net profit resulted in decreased return on assets.

### Financial Policy Ratio

Description	2017	2018	Increase/Decrease
<u>Financial Policy Ratio</u>			
Debt to equity ratio (times)	0.14	0.39	0.25
Interest coverage ratio (times)	16.13	22.32	6.19
Coverage ratio (times)	0.27	0.14	(0.13)
Dividend payout ratio	40.03	39.99	(0.04)

- Debt to equity ratio was increased due to investment in capacity expansion project in which partial amount of loans from financial institutions were used. This caused higher long-term loans and liabilities due within one year. However, the debt to equity ratio of the company was still considered in the low level.
- Interest coverage ratio was increased as in late 2017, the Company repaid the long-term loans used for the first production line investment, which was in accordance with the purpose of using proceeds obtained from the public ordinary shares issuance. Even though in 2018, the Company requested for the loans for capacity expansion project, but utilized money in the less amount than the first production line investment. The interests to be paid were therefore decreased and the Company had the increased interest coverage rate.



- Coverage ratio declined due to decreased net cash derived from decreased business operations of the Company as of 2018. The Company had the net cash for more investment activities from an additional production line expansion. This resulted in decreased cash basis.
- Regarding dividend payout ratio, the Board of Directors' meeting held on February 27, 2019 resolved to distribute dividend of 0.0982 baht per share, totaling 78.56 million baht, representing dividend payout ratio of 39.99%.

### 13.1.3 Remuneration to Auditors

The company has paid the following remunerations to auditors:

(Unit: Million Baht)

Fiscal Year	Audit Office	Audit fees	Other service fees	Total
2017	Siam Truth Audit Co., Ltd.	1.70	0.52	2.22
2018	Siam Truth Audit Co., Ltd.	1.80	0.29	2.09

### 13.1.4 Investment expenses in 2018

1. "Production Capacity Expansion Investment" project, which increased additional capacity of 260,000 cubic meters per year and completed in the third quarter of 2018.
2. Investment Project of the subsidiary for adhesive and chemical production in value of 300 million baht is expected to start commercial production in the beginning of 2020.

#### Sources of investment

1. Offering of 200,000,000 shares in IPO
2. Incomes from the operation
3. Loans from financial institutions.
4. Investment fund from the Parent company.

### 13.1.5 Long-term debt

As of 31 December 2017 and 2018, the Company had long-term loans from financial institutions (including the amount due within one year) equal to 10.39 and 467.01 million baht respectively. The loans from financial institutions added in 2018 was a result of MDF wood board capacity expansion project completed in the third quarter of 2018 in which partial amount of long-term loans was used for investment.

### 13.2 Factors affecting future operating results

As most of the company's sales revenue comes from overseas markets, therefore, the important factors affecting the change of the company's sales are as follows: (1) Sales volume of MDF Board in various regions, which are major markets including the Middle East, Southeast Asia and East Asia, may increase or decrease according to the demand for MDF boards at different periods. (2) Selling prices are in US dollar which is the main currency used by the company. Prices in US dollars are varied from market to market, depending on the demand for MDF Boards and competition among MDF board exporters and manufacturers in different countries. As well as the global political and commercial situation that may impact the demand for the product. (3) Exchange rate, as most of the company's sales came from

exports to overseas countries, almost all of the company's sales are in US dollars. Therefore, assume that prices in the world market remain unchanged, if Thai baht has depreciated against the US dollar, the company's sales revenue in Thai baht would increase. On the other hand, if Thai baht has appreciated against the US dollar, the company's sales revenue in Thai baht would decrease.

Prices of raw materials used in production, such as wood, adhesives and other chemicals etc. are costs which are major factors affecting increase or decrease of production costs. The prices of such costs are in line with market demand and fluctuations in global oil prices which may lead to higher raw material costs and cost of sales accordingly. Nonetheless, the company can effectively manage production costs and implement raw material utilization plan in order to maintain operating results of the company to be in satisfactory level.

**Board of Directors' Responsibility to the Financial Statement Report**

Board of Directors of S.Kijchai Enterprise Public Company Limited are accountable for financial statement of S.Kijchai Enterprise PLC. , including financial information demonstrated in annual report. Such financial report is consistent with generally acceptable accounting standard, where selected accounting policy is proper and applicable regularly, based upon judicious discretion and optimum estimation in operating procedure, as well exposure of important information sufficient to footnotes of financial statement

The board provides and maintains effective internal control to ensure that accounting record process is accurate, complete and adequate to keep assets, and to acknowledge the weakness to prevent possible fraud or significant unusual operation. For this reason.

To provide an ongoing review of the company's internal control system and examine the Company's operations on the regular basis, the Board of Directors has appointed the Audit Committee that consists of independent directors to oversee and ensure the quality, effectiveness and reliability of the Company's internal control and examination operations.

Based on board's opinion, internal control of S.Kijchai Enterprise Public Company Limited is relatively satisfactory, and convince reliability on company financial statement and its subsidiaries as at ended 31 December 2018.

**S.KIJCHAI ENTERPRISE PUBLIC COMPANY LIMITED  
FINANCIAL STATEMENTS AND AUDITOR'S REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2018**



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## AUDITOR'S REPORT

### To the Shareholders of S.Kijchai Enterprise Public Company Limited

#### Opinion

I have audited the accompanying consolidated and separate financial statements of S.Kijchai Enterprise Public Company Limited and its subsidiary ("the Group") and of S.Kijchai Enterprise Public Company Limited ("the Company") , respectively, which comprise the consolidated and separate statement of financial position as at December 31, 2018, the consolidated and separate statement of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of S.Kijchai Enterprise Public Company Limited and its subsidiary and of S.Kijchai Enterprise Public Company Limited as at December 31, 2018, and their consolidated and separate 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 Consolidated and Separate Financial Statements section of my report. I am independent of the Group and the Company in accordance with the Code of Ethics for Professional Accounts issued by the Federation of Accounting Professions that are relevant to my audit of the consolidated and separate financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Key Audit Matters

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

<i>The key audit matter</i>	<i>Audit procedures</i>
<p><b><i>Recognition of revenue from sale</i></b></p> <p>The Company has revenue from mostly international sales, which are significant high value transaction. Due to sale transaction has a variety of delivery terms and revenue recognition which affected to the risk relating to the proper period of revenue recognition corresponding to its delivery terms. For the year ended December 31, 2018, the revenue from sales is of Baht 1,503.25 million.</p> <p>I have identified the revenue from sales to be the key audit matters as its high value is significant to the financial statements.</p>	<p>Other than making the inquiries, the audit procedures for revenue from sales included sampling test as follows:</p> <ul style="list-style-type: none"> <li>- assessing the efficiency and test of internal control relates to the sales system;</li> <li>- inspecting sale documents occurred during the year to consider the delivery term and the proper period of revenue recognition;</li> <li>- sale cut-off with sale documents nearby before and after end of reporting period;</li> <li>- inspecting credit notes issued after reporting period;</li> <li>- reviewing the adjustments relating to sale after reporting period.</li> </ul>
<p><b><i>Purchase of raw material from related parties</i></b></p> <p>The Company has purchased raw materials from 2 related parties, which is significant high value transaction. Purchase transaction involves a variety of type and quality of raw materials which affects to a risk of purchase price comparison form other suppliers, that are the same size, type and quality of raw materials. For the year ended December 31, 2018, purchase of raw material from related parties is totaled of Baht 123.49 million as disclosed in note 4.</p> <p>I have identified the purchase of raw material from related parties to be the key audit matters as its high value is significant to the financial statements as a whole. The mentioned raw materials purchase transactions at fair value are able to compare with others and no impact on reliability.</p>	<p>Other than making the inquiries, the audit procedures for purchase of raw material from related parties included sampling test as follows:</p> <ul style="list-style-type: none"> <li>- assessing the efficiency, and test of internal control for purchase system relating to purchase price comparison which are daily notified at factory;</li> <li>- inspecting purchase documents occurred during the year by comparing raw materials price purchased in the same period, which are the same of quantity, type and quality.</li> </ul>

#### Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report of the Group, but does not include the consolidated and separate 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 consolidated and separate 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 consolidated and separate financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the annual report, 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 Consolidated and Separate Financial Statements**

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

In preparing the consolidated and separate 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 and the Company or to cease operations, or has no realistic alternative but to do so.

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

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

My objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 consolidated and separate financial statements.

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Group and business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the Group audit. I remain solely responsible for my audit opinion.

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

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

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



Bunjong Pichayaprasat  
Certified Public Accountant  
Registration No.7147

Siam Truth Audit Company Limited  
Bangkok, February 27, 2019



**S.KIJCHAI ENTERPRISE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY**

**STATEMENT OF FINANCIAL POSITION**

**AS AT DECEMBER 31, 2018**

*Baht*

	Note	Consolidated	Separate	
		financial statements	financial statements	
		2018	2018	2017
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	5	59,646,003	42,549,469	725,728,071
Trade and other receivables	4, 6	56,749,143	56,749,149	29,542,645
Inventories	7	152,296,541	152,296,541	46,279,506
Other current assets		40,706,998	40,656,488	50,321,109
<b>Total current assets</b>		<b>309,398,685</b>	<b>292,251,647</b>	<b>851,871,331</b>
<b>Non-current assets</b>				
Restricted bank deposits	8	5,213,837	5,213,837	5,167,792
Investment in subsidiary	4, 9	-	49,999,980	-
Property, plant and equipment	4, 10	3,002,390,899	2,970,236,811	1,596,470,843
Advance payment for purchase of assets		5,097,263	5,097,263	141,022,893
Intangible assets	11	13,758,821	13,758,821	4,319,301
Other non-current assets		42,898	42,842	28,376
<b>Total non-current assets</b>		<b>3,026,503,718</b>	<b>3,044,349,554</b>	<b>1,747,009,205</b>
<b>Total assets</b>		<b>3,335,902,403</b>	<b>3,336,601,201</b>	<b>2,598,880,536</b>

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

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## S.KIJCHAI ENTERPRISE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY

## STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2018

Baht

	Note	Consolidated	Separate	
		financial statements	financial statements	
		2018	2018	2017
<b>Liabilities and shareholders' equity</b>				
<b>Current liabilities</b>				
Short-term loans from financial institution	12	90,000,000	90,000,000	-
Trade and other payables	4, 13	300,035,746	299,937,582	200,587,311
Current portion of liabilities	14	142,856,000	142,856,000	124,724
Advance received for goods		52,381,810	52,381,810	39,258,063
Other current liabilities		600,064	600,064	869,318
<b>Total current liabilities</b>		<b>585,873,620</b>	<b>585,775,456</b>	<b>240,839,416</b>
<b>Non-current liabilities</b>				
Long-term loans from financial institution	15	324,157,342	324,157,342	10,261,009
Deferred tax liabilities	16	23,548,690	23,548,690	67,215,514
Employee benefit obligations	17	3,282,922	3,282,922	2,390,600
<b>Total non-current liabilities</b>		<b>350,988,954</b>	<b>350,988,954</b>	<b>79,867,123</b>
<b>Total liabilities</b>		<b>936,862,574</b>	<b>936,764,410</b>	<b>320,706,539</b>
<b>Shareholders' equity</b>				
Share capital	18			
Authorized share capital				
800,000,000 ordinary shares, Baht 1 par value		800,000,000	800,000,000	800,000,000
Issued and paid-up share capital				
800,000,000 ordinary shares, fully paid-up		800,000,000	800,000,000	800,000,000
Premium on share capital	18	1,225,977,750	1,225,977,750	1,225,977,750
Retained earnings	19, 20			
Appropriated - legal reserve		41,288,983	41,288,983	30,909,843
Unappropriated		331,773,096	332,570,058	221,286,404
<b>Total shareholders' equity</b>		<b>2,399,039,829</b>	<b>2,399,836,791</b>	<b>2,278,173,997</b>
<b>Total liabilities and shareholders' equity</b>		<b>3,335,902,403</b>	<b>3,336,601,201</b>	<b>2,598,880,536</b>

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

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**S.KIJCHAI ENTERPRISE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY**

**STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE YEAR ENDED DECEMBER 31, 2018**

*Baht*

		Consolidated	Separate	
		financial statements	financial statements	
	Note	2018	2018	2017
<b>Revenue from sales</b>	4	<b>1,540,078,485</b>	<b>1,540,078,485</b>	<b>1,566,147,272</b>
Cost of sales	4, 21	(1,116,184,276)	(1,116,184,276)	(1,060,183,883)
<b>Gross profit</b>		<b>423,894,209</b>	<b>423,894,209</b>	<b>505,963,389</b>
Other income	4	31,131,580	31,125,972	19,457,025
Selling expenses	4, 21	(212,080,470)	(212,080,470)	(193,122,540)
Administrative expenses	4, 21	(74,579,323)	(73,776,753)	(66,084,975)
Finance costs	22	(5,246,988)	(5,246,988)	(24,036,412)
<b>Profit before income tax</b>		<b>163,119,008</b>	<b>163,915,970</b>	<b>242,176,487</b>
Tax income (expense)	23	43,666,824	43,666,824	(16,214,594)
<b>Profit for the year</b>		<b>206,785,832</b>	<b>207,582,794</b>	<b>225,961,893</b>
<b>Earnings per share</b>	3			
Basic earnings per share		0.26	0.26	0.35
Weighted average number of ordinary shares (shares)		800,000,000	800,000,000	653,150,685
<b>Other comprehensive income:</b>				
<b>Items that will never be reclassified to profit or loss</b>				
Defined benefit plan actuarial gains	17	-	-	1,071,977
Income tax relating to items that will never be reclassified to profit and loss	- 23	-	-	(214,395)
<b>Other comprehensive income - net of tax</b>		<b>-</b>	<b>-</b>	<b>857,582</b>
<b>Total comprehensive income</b>		<b>206,785,832</b>	<b>207,582,794</b>	<b>226,819,475</b>

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

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**S.KIJCHAI ENTERPRISE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY**  
**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

FOR THE YEAR ENDED DECEMBER 31, 2018								Balut
Consolidated financial statements								
	Note	Issued and paid-up share capital	Premium on share capital	Legal reserve	Retained earnings	Unappropriated	Total	
Balance as at January 1, 2018		800,000,000	1,225,977,750	30,909,843		221,286,404	2,278,173,997	
Dividend payment	20	-	-	-	-	(85,920,000)	(85,920,000)	
Legal reserve	19	-	-	10,379,140		(10,379,140)	-	
Total comprehensive income		-	-	-	-	206,785,832	206,785,832	
Balance as at December 31, 2018		800,000,000	1,225,977,750	41,288,983		331,773,096	2,399,039,829	

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

S.KIJCHAI ENTERPRISE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY  
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2018

FOR THE YEAR ENDED DECEMBER 31, 2018							Baht
	Note	Separate financial statements					Total
		Issued and paid-up share capital	Premium on share capital	Legal reserve	Retained earnings Unappropriated		
Balance as at January 1, 2017		600,000,000	-	19,611,749	116,915,023	736,526,772	
Increase in ordinary shares		200,000,000	1,225,977,750	-	-	1,425,977,750	
Dividend payment	20	-	-	-	(111,150,000)	(111,150,000)	
Legal reserve	19	-	-	11,298,094	(11,298,094)	-	
Total comprehensive income		-	-	-	226,819,475	226,819,475	
Balance as at December 31, 2017		800,000,000	1,225,977,750	30,909,843	221,286,404	2,278,173,997	
Dividend payment	20	-	-	-	(85,920,000)	(85,920,000)	
Legal reserve	19	-	-	10,379,140	(10,379,140)	-	
Total comprehensive income		-	-	-	207,582,794	207,582,794	
Balance as at December 31, 2018		800,000,000	1,225,977,750	41,288,983	332,570,058	2,399,836,791	

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

**S.KIJCHAI ENTERPRISE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY**
**STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED DECEMBER 31, 2018**
*Baht*

	Consolidated financial statements	Separate financial statements	
	2018	2018	2017
<b>Cash flows from operating activities</b>			
<b>Profit before income tax</b>	<b>163,119,008</b>	<b>163,915,970</b>	<b>242,176,487</b>
Adjustments to reconcile profit before income tax to cash generated (paid) from operating activities			
Depreciation and amortization	136,050,787	136,050,787	116,949,138
Doubtful accounts	660,258	660,258	1,016,534
Loss on devaluation of inventories	11,511	11,511	-
Unrealized (gain) loss on exchange rate	(4,363,152)	(4,363,152)	638,370
Gain (loss) on disposal and written-off of assets	(2,505,585)	(2,505,585)	1,141,766
Interest income	(1,446,663)	(1,446,663)	(2,018,985)
Finance costs	9,461,838	9,461,838	24,394,867
<b>Cash flow before changes in working capital</b>	<b>300,988,002</b>	<b>301,784,964</b>	<b>384,298,177</b>
<b>Changes in working capital</b>			
Trade and other receivables	(28,089,874)	(28,089,880)	7,462,348
Inventories	(106,028,547)	(106,028,547)	42,944,308
Other current assets	9,608,913	9,659,423	(13,628,559)
Restricted bank deposits	(46,045)	(46,045)	(45,638)
Trade and other payables	3,939,852	3,841,688	14,817,167
Advance received for goods	13,123,747	13,123,747	(66,539,032)
Other current liabilities	659,809	659,809	(228,065)
Employee benefit obligations	892,322	892,322	766,601
<b>Cash generated from operations</b>	<b>195,048,179</b>	<b>195,797,481</b>	<b>369,847,307</b>
Interest received	1,446,663	1,446,663	2,018,985
Income tax paid	(14,522)	(14,466)	(27,744)
<b>Net cash provided by operating activities</b>	<b>196,480,320</b>	<b>197,229,678</b>	<b>371,838,548</b>

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

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## S.KIJCHAI ENTERPRISE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2018

Baht

	Consolidated financial statements	Separate financial statements	
	2018	2018	2017
<b>Cash flows from investing activities</b>			
Investment in subsidiary	-	(49,999,980)	-
Purchase of property plant and equipment	(1,440,819,391)	(1,408,665,303)	(69,309,036)
Advance payment for purchase of assets	135,925,630	135,925,630	(141,022,893)
Purchase of intangible assets	(13,266,780)	(13,266,780)	(39,550)
Sale of assets	4,105,775	4,105,775	-
<b>Net cash used in investing activities</b>	<b>(1,314,054,766)</b>	<b>(1,331,900,658)</b>	<b>(210,371,479)</b>
<b>Cash flows from financing activities</b>			
Increase in short-term loan from financial institution	90,000,000	90,000,000	-
Proceeds from long-term loans from financial institution	456,752,333	456,752,333	101,763,000
Repayment for long-term loans from financial institution	-	-	(801,636,072)
Repayment for liabilities under finance leases	(124,724)	(124,724)	(718,857)
Cash received from increase in ordinary shares	-	-	1,425,977,750
Dividend paid	(85,920,000)	(85,920,000)	(330,294,600)
Finance costs paid	(9,215,231)	(9,215,231)	(24,579,499)
<b>Net cash provided by financing activities</b>	<b>451,492,378</b>	<b>451,492,378</b>	<b>370,511,722</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(666,082,068)</b>	<b>(683,178,602)</b>	<b>531,978,791</b>
Cash and cash equivalents at the beginning of the year	725,728,071	725,728,071	193,749,280
<b>Cash and cash equivalents at the end of the year</b>	<b>59,646,003</b>	<b>42,549,469</b>	<b>725,728,071</b>

**S.KIJCHAI ENTERPRISE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**1. GENERAL INFORMATION**

S.Kijchai Enterprise Public Company Limited (“the Company”) is incorporated in Thailand and has its registered office at 99/9 Moo 7, Huay-yang, Klaeng, Rayong.

The Company was listed on the Stock of Exchange of Thailand on September 26, 2017.

The Company and its subsidiary (“the Group”) has their principal activity is manufacture and selling Medium Density Fiber Board (“MDF”).

The financial statements have been approved for issue by the Board of Directors of the Company on February 27, 2019.

**2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS**

The financial statements are prepared in accordance with Thai Financial Reporting Standards (“TFRS”), including the related interpretations and guidelines promulgated by the Federation of Accounting Professions (“FAP”) and the financial reporting requirements of the Securities and Exchange Commission.

The FAP has issued the notifications, mandating the use of Thai Accounting Standards (“TAS”), Thai Financial Reporting Standards (“TFRS”), Thai Standard Interpretations (“TSIC”), Thai Financial Reporting Interpretations (“TFRIC”) (revised 2017) and Accounting Guidance (“AG”), which are effective for the financial statements, which its accounting period beginning on or after January 1, 2018.

During the year, the Group have adopted new and revised TFRS which are effective for the accounting period beginning on or after January 1, 2018. These TFRS were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision and clarification of interpretations and accounting guidance and disclosures in the notes to financial statements to users of TFRS. The adoption of these TFRS does not have any significant impact on the financial statements of the Group.

The financial statements are presented in Thai Baht, which is the Group’s functional currency. The preparation of these financial statements is in Thai and English language and issued for Thai reporting purposes.

The preparation of the financial statements in conformity with Thai Financial Reporting Standards (“TFRS”) requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying amounts of assets and liabilities that are not readily apparent from other sources. Subsequent actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, and in the period of the revision and future periods, if the revision affects both current and future periods.



**BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS**

The consolidated financial statements consisted of the financial statements of the Group as follow:

Subsidiary	Located in	Business type	Percent
			Percentage of holding December 31, 2018
S.Kleber Chemical Co., Ltd.	Thailand	Manufacture glue and chemical	100

All significant intercompany transactions and accounts are eliminated in preparing the consolidated financial statements.

The preparations of the consolidated financial statements have been based on the same accounting policies for the same or similar accounting transactions or accounting events.

Subsidiary is an entity controlled by the Company. The Company is deemed to have control over an investee or subsidiary 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 significantly affect the amount of its returns. The financial statements of subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases.

**New and revised Thai Financial Reporting Standards not yet effective**

During the year, the FAP issued a number of revised and new financial reporting standards and interpretations (revised 2018) including new accounting guidance, 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 revision and clarification of interpretations and accounting guidance and disclosures in the notes to financial statements to users of TFRS.

The financial reporting standard TFRS 15 Revenue from Contracts with Customers, which is effective for fiscal years beginning on or after January 1, 2019, and a set of 5 financial reporting standards related to financial instruments, which are effective for fiscal years beginning on or after 1 January 2020. Key principles of these standards are summarised below.

**TFRS 15 Revenue from Contracts with Customers**

TFRS 15 establishes a comprehensive framework for determining the revenue recognition at an amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring goods or services. Revenue should be recognized when (or as) the Group transfers control over goods or services to a customer, measured at the amount to which the Group expects to be entitled.

This TFRS replaces the existing revenue recognition standards as follows:

- 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, and
- TFRIC 18 (revised 2017) Transfers of Assets from Customers.

### **Thai Financial Reporting Standards related to financial instruments**

The set of TFRSs related to financial instruments consists of five TAS, TFRS and TFRIC as follow:

- TAS 32 Financial Instruments: Presentation
- TFRS 7 Financial Instruments: Disclosures
- TFRS 9 Financial Instruments
- 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 Group'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.

This TFRS replaces the TAS, TFRS, TSIC and accounting guidance ("AG") as follows:

- TAS 101 Bad and Doubtful Debts
- TAS 103 Disclosures in the Financial Statements of Bank and Similar Financial Institutions
- TAS 104 (revised 2016) Accounting for Troubled Debt Restructuring
- TAS 105 (revised 2016) Accounting for Investment in Debts and Equity securities
- TAS 106 Accounting for Investment Companies
- TAS 107 (revised 2016) Financial Instruments: Disclosure and Presentation
- TSIC for Asset Transferred by Debtors for Debt Settlement
- AG for derecognition of financial assets and financial liabilities
- AG for insurance business to designation of financial instruments at fair value through profit or loss

At present, the management of the Group is evaluating the impact of this standard to the financial statements in the year when it is adopted.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **The measurement bases used in preparing the financial statements**

Other than those disclosed elsewhere in the summary of significant accounting policies and other notes to the financial statements, the financial statements are prepared on the historical cost basis.

#### **Revenues**

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

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

Revenues from services are recognized when services are rendered.

#### **Interest income**

Interest income is recognized as income on an accrual basis, based on the effective rate method.

#### **Other income**

Other income is recognized on an accrual basis.

**Expenses****Operating leases**

Payments made under operating leases are recognized in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognized in the statement of comprehensive income as an integral part of the total lease payments made. Contingent rentals are charged to the statement of comprehensive income in the accounting period in which they are incurred.

**Finance costs**

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

The interest component of finance lease payments is recognized in the statement of comprehensive income using the effective interest rate method.

Expenses are recognized on an accrual basis.

**Employee benefits****Short-term benefits**

The Group recognizes salaries, wages, bonus and social security contribution as expenses when incurred.

**Post-employment benefits – defined contribution plan**

The Group operates a provident fund that is a defined contribution plan. The assets of which are held in a separate trust fund. The provident fund is funded by payments from employees and the Group. Contributions to the provident fund are charged to the statement of comprehensive income in the period to which they relate.

**Post-employment benefits – defined benefit plan**

The employee benefit obligations in relation to the severance payment under the labor law are recognized as a charge to results of operations over the employee's service period. It is calculated by the estimation of the amount of future benefit to be earned by the employee in return for the service provided to the Group through the service period up to the retirement age and the amount is discounted to determine the present value. The reference discount rate is the yield rate of government bonds as at the reporting date. The calculation is based on the actuarial technique using the Projected Unit Credit Method.

When the employee benefits are improved, the portion of the increased benefit relating to past service rendered by employee is recognized in the statement of comprehensive income on a straight-line basis over the average period until the benefits become vested.

When the actuarial assumptions are changed, the Group recognizes actuarial gains (losses) immediately in other comprehensive income.

### Termination benefits

The Group recognizes termination benefits as a liability and expense when the Group terminates the employment of an employee or group of employees before the normal retirement date.

### Income tax

Income tax expense for the year comprises current and deferred tax. Current and deferred tax are recognized in profit or loss except to the extent that they relate to items recognized directly in shareholders' equity or in other comprehensive income.

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

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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

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

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

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized. Deferred tax assets are reviewed at the end of reporting period date and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

### Cash and cash equivalents

Cash and cash equivalents are cash on hand, current deposits and savings deposits, cash at bank with an original maturity of 3 months and short-term investments with high liquidity excluded deposits at bank on obligation.

### Trade and other receivables

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

The Group records allowance for doubtful accounts that is provided for the estimated losses that may be incurred in collection of receivables.

In determining an allowance for doubtful accounts, the management needs to make judgment for estimated losses for each outstanding debtor. The allowances for doubtful accounts are determined through a combination of analysis of debt aging, collection experience, and taking into account change in the current economic conditions. However, the use of different estimates and assumptions could affect the amounts of allowances for receivable losses and adjustments to the allowances may therefore be required in the future.

**Inventories**

Inventories are stated at the lower of cost or net realizable value. The cost of inventories are calculated by first-in, first-out method.

Raw materials and supplies are stated at the cost by first-in, first-out method.

Cost comprises all costs of purchases, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work in process, cost includes an appropriate share of overhead based on normal operating capacity.

Net realizable value is the estimated selling price in the normal course of business less the costs to make the sale.

A provision for devaluation of inventories is made for all deteriorated, damaged, obsolete and slow-moving inventories.

**Investment in subsidiary**

Investment in subsidiary in the separate financial statements is accounted for using the cost method less allowance for impairment loss (if any).

**Property, plant and equipment**

Owned assets

Land is stated at cost, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

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

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within other income or other expenses in profit or loss.



### Leased assets

Leases in terms of which the Group substantially assumes all the risk and rewards of ownership are classified as finance leases. Property, plant and equipment acquired by way of finance leases is capitalized at the lower of its fair value or the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and accumulated impairment losses. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the profit or loss.

### Reclassification to investment properties

When the use of a property changes from owner-occupied to investment properties, its carrying amount is recognized and reclassified as investment properties.

### Subsequent costs

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

### Depreciation

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

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

	<i>Years</i>
Land improvements	10
Buildings	5 - 30
Utility system	5 - 25
Machinery and factory equipment	2 - 25
Office equipment	3 - 5
Vehicles	5

Depreciation for the finance lease assets is charged as expense for each accounting period. The depreciation method for leased assets is consistent with that for depreciable assets that are owned.

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

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

### Intangible assets

Intangible assets that are acquired by the Group, which have finite useful lives, are stated at cost less accumulated amortization and accumulated impairment losses.

#### Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

#### Amortization

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

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives are as follows:

	<i>Years</i>
Software	5 and 10

No amortization is provided on assets under development.

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

#### Impairment

The carrying amounts of the Group's assets are reviewed at each reporting period to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. For intangible assets that have indefinite useful lives or are not yet available for use, the recoverable amount is estimated each year at the same time.

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

When a decline in the fair value of an available-for-sale financial asset has been recognized directly in equity and there is objective evidence that the value of the asset is impaired, the cumulative loss that had been recognized directly in equity is recognized in profit or loss even though the financial asset has not been derecognized. The amount of the cumulative loss that is recognized in profit or loss is the difference between the current fair value and acquisition cost, less any impairment loss on that financial asset previously recognized in profit or loss.

#### Calculation of recoverable amount

The recoverable amount of a non-financial asset is the greater of the asset's value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

#### Reversals of impairment

An impairment loss in respect of financial asset is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised in profit or loss.

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

### **Foreign currencies**

#### **Foreign currency transactions**

Transactions in foreign currencies are translated into the functional currencies using the exchange rate at the date of transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of reporting period date are translated into the functional currency using the exchange rate at the end of reporting period date.

Gain or loss upon conversion is included in the statements of comprehensive income.

### **Finance lease**

The Group recognized finance leases as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Lease payments are apportioned between the finance charge and the reduction of the outstanding liabilities. The finance charge is allocated to the periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

### **Deferred financial fees**

Financial expenses related to borrowings that are typically incurred on or before signing facility agreements and before actual draw down of the loans are recorded as deferred financial fees and presented as a deduction against the related loan account and amortized using the effective rate method.

### **Provisions**

A provision is recognized in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

### **Dividends**

Dividend and interim dividend payment are recorded in the period in which they are approved by Shareholders' meeting and Board of Directors' meeting.

### **Premium on share capital**

According to the Section 51 of the Public Limited Companies Act B.E. 2535 requires companies to set aside share subscriptions received in excess of the par value of the shares issued to a reserve account ("share premium"). Share premium is not available for dividend distribution.



**Basic earnings per share**

Basic earnings per share is calculated by dividing profits for the years by the weighted average number of ordinary shares issued during the years.

For the years ended December 31, 2018 and 2017 were as follows:

	Consolidated	Baht	
	financial statements	Separate financial statements	
	2018	2018	2017
Profit for the years	206,785,832	207,582,794	225,961,893
<b>Weighted average number of ordinary shares (shares)</b>			
Issued ordinary shares at the beginning of year	800,000,000	800,000,000	600,000,000
Effect of shares issued	-	-	53,150,685
Weighted average number of ordinary shares	800,000,000	800,000,000	653,150,685
Basic earnings per share	0.26	0.26	0.35

**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 applied 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 measured fair value using valuation techniques 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 observable 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 determined 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.

**4. TRANSACTIONS WITH RELATED PARTIES**

The Company had transactions with related parties. These parties were related through common shareholders and/or directorships or close members of the family of management. The significant transactions with related parties as included in the financial statements are determined at the prices in line occurring in the normal course of business based on the market price in general or the price as stipulated in the agreement if no market price exists.

Significant transactions with related parties for the years ended December 31, 2018 and 2017 were as follows:

	<i>Baht</i>		
	Consolidated	Separate	
	financial statements	financial statements	
	2018	2018	2017
Revenue from sales			
S.Kijchai Company Limited	8,869,217	8,869,217	11,128,595
Revenue from sales of electricity			
S.Kijchai Company Limited	23,957,252	23,957,252	27,230,678
S.Kijchai Wood Panel Company Limited	14,730,278	14,730,278	7,704,658
Revenue from sales of assets			
S.Kijchai Company Limited	3,091,561	3,091,561	-
Other income			
S.Kijchai Company Limited	30,350	30,350	91,050
S.Kijchai Wood Panel Company Limited	6,444	6,444	-
Sahakij Klaeng Logistics Company Limited	1,400	1,400	-
Purchase of assets			
S.Kijchai Company Limited	464,750	464,750	84,516
S.Kijchai Wood Panel Company Limited	69,168	69,168	2,700
S.Kijchai Concrete Limited Partnership	12,355,728	12,355,728	4,610,090
S.Kijchai Saithong Shop	-	-	20,976
Purchase of raw materials			
Sahakij Klaeng Company Limited	42,190,145	42,190,145	52,073,279
Sahakij Saentung Company Limited	81,303,177	81,303,177	56,330,275
Transportation expenses			
S.Kijchai Company Limited	49,600	49,600	77,700
S.Kijchai Wood Panel Company Limited	56,200	56,200	35,700
Sahakij Klaeng Company Limited	463,134	463,134	163,654
Sahakij Klaeng Logistics Company Limited	3,520,669	3,520,669	1,414,259
Other expenses			
S.Kijchai Company Limited	1,034,607	1,034,607	1,499,324
S.Kijchai Wood Panel Company Limited	764,560	764,560	962,884
S.Kijchai Concrete Limited Partnership	383,455	383,455	43,775
S.Plywood Company Limited	980	980	-

The significant balances of assets and liabilities with related parties as at December 31, 2018 and 2017 were as follows:

	<i>Baht</i>		
	Consolidated	Separate	
	financial statements	financial statements	
	2018	2018	2017
Investments in subsidiary			
S.Kleber Chemical Company Limited	-	49,999,980	-
Trade receivables			
S.Kijchai Company Limited	652,208	652,208	1,418,722
Other receivables			
S.Kijchai Company Limited	1,918,195	1,918,195	2,135,155
S.Kijchai Wood Panel Company Limited	906,917	906,917	905,511
Trade payables			
Sahakij Klaeng Company Limited	5,067,700	5,067,700	4,444,494
Sahakij Saentung Company Limited	9,760,086	9,760,086	3,012,883
Other payables			
S.Kijchai Company Limited	84,140	84,140	125,588
S.Kijchai Wood Panel Company Limited	19,050	19,050	28,725
Sahakij Klaeng Company Limited	13,303	13,303	69,898
Sahakij Klaeng Logistics Company Limited	133,636	133,636	271,790
S.Kijchai Concrete Limited Partnership	63,999	63,999	3,256,505
S.Kijchai Saithong Shop	-	-	22,444
Director	21,000	-	64,250

#### Key management personnel compensation

Key management personnel compensation for the years ended December 31, 2018 and 2017 consisted of:

	<i>Baht</i>		
	Consolidated	Separate	
	financial statements	financial statements	
	2018	2018	2017
Short-term benefits	23,709,378	23,709,378	28,921,067
Long-term benefits	685,223	685,223	584,895
Total	24,394,601	24,394,601	29,505,962

### Directors' remuneration

Directors' remuneration represents benefits paid to the directors of the Company in accordance with Section 90 of the Public Company Limited Act, exclusive of salaries and related benefit payable to directors who hold executive positions.

For the year ended December 31, 2018, the Group paid directors' remuneration in the amount of Baht 3.07 million (year 2017: Baht 3.38 million).

### Nature of relationship

Name	Country	Relation	Type of relation
S.Kleber Chemical Company Limited	Thailand	Subsidiary	Direct holding
S.Kijchai Company Limited	Thailand	Related company	Common shareholder and director
S.Kijchai Wood Panel Company Limited	Thailand	Related company	Common shareholder and director
Sahakij Klaeng Company Limited	Thailand	Related company	Common shareholder and director
Sahakij Saentung Company Limited	Thailand	Related company	Common shareholder and director
S.Plywood Company Limited	Thailand	Related company	Common shareholder and director
S.Kijchai Concrete Limited Partnership	Thailand	Related company	Common shareholder and director
Sahakij Klaeng Logistics Company Limited	Thailand	Related company	Common shareholder and director
S.Kijchai Saithong Shop	Thailand	Related company	Owner/common shareholder and director

### Bases of measurement for intercompany revenues and expenses

	Pricing policies
Purchase and sale of asset	Contract prices.
Purchase and sale of goods	Stipulate in the agreement referred to market price
Revenue from sales of electricity	Stipulate in the agreement referred to market price
Transportation and other expenses	Stipulate in the agreement

The revenue from sales of electricity is the gross amount before net off related costs. However, such revenue is presented in the statement of comprehensive income under "Other income" with its net amount determined from sales of electricity less related costs.

## 5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at December 31, 2018 and 2017 consisted of:

*Baht*

	Consolidated	Separate	
	financial statements	financial statements	
	2018	2018	2017
Cash	871,133	866,785	485,717
Cash at banks	58,774,870	41,682,684	725,242,354
Total	59,646,003	42,549,469	725,728,071

## 6. TRADE AND OTHER RECEIVABLES

Trade and other receivables as at December 31, 2018 and 2017 consisted of:

*Baht*

	Consolidated	Separate	
	financial statements	financial statements	
	2018	2018	2017
Trade receivables	55,576,202	55,576,202	27,534,943
Less Allowance for doubtful accounts	(1,804,421)	(1,804,421)	(1,380,638)
Trade receivables - net	53,771,781	53,771,781	26,154,305
Other receivables			
Accrued income	2,825,113	2,825,113	3,040,666
Others	265,974	265,980	347,674
Total	3,091,087	3,091,093	3,388,340
Less Allowance for doubtful accounts	(113,725)	(113,725)	-
Other receivables - net	2,977,362	2,977,368	3,388,340
Trade and other receivables - net	56,749,143	56,749,149	29,542,645

As at December 31, 2018 and 2017, the Group had outstanding balances of trade receivables aged by number of months as follows:

	<i>Baht</i>		
	Consolidated	Separate	
	financial statements	financial statements	
	2018	2018	2017
Current	622,499	622,499	1,192,980
Overdue			
Not over 3 months	53,133,722	53,133,722	22,275,014
Over 3 months up to 6 months	41,673	41,673	-
Over 6 months up to 12 months	-	-	3,783,885
Over 12 months	1,778,308	1,778,308	283,064
Total	55,576,202	55,576,202	27,534,943

Movements of allowance for doubtful accounts for the years ended December 31, 2018 and 2017 were as follows:

	<i>Baht</i>		
	Consolidated	Separate	
	financial statements	financial statements	
	2018	2018	2017
Beginning balance	1,380,638	1,380,638	364,103
<b>Add</b> Doubtful accounts	537,508	537,508	1,016,535
Ending balance	1,918,146	1,918,146	1,380,638

## 7. INVENTORIES

Inventories as at December 31, 2018 and 2017 consisted of:

	<i>Baht</i>		
	Consolidated	Separate	
	financial statements	financial statements	
	2018	2018	2017
Finished goods	112,902,480	112,902,480	21,896,151
Work in process	20,434,573	20,434,573	7,309,494
Raw materials	8,709,346	8,709,346	9,146,062
Supplies	11,121,044	11,121,044	8,787,190
Total	153,167,443	153,167,443	47,138,897
<b>Less</b> Allowance for devaluation of inventories	(870,902)	(870,902)	(859,391)
Inventories - net	152,296,541	152,296,541	46,279,506

Movements of allowance for devaluation of inventories for the years ended December 31, 2018 and 2017 were as follows:

	<i>Baht</i>		
	Consolidated	Separate	
	financial statements	financial statements	
	2018	2018	2017
Beginning balance	859,391	859,391	1,539,039
Add (less) Loss on devaluation of inventories (reversal)	11,511	11,511	(679,648)
Ending balance	870,902	870,902	859,391

#### 8. RESTRICTED BANK DEPOSITS

As at December 31, 2018 and 2017, cash at bank in the amount of Baht 5 million are used as collateral for credit facilities from financial institutions (see note 12).

#### 9. INVESTMENT IN SUBSIDIARY

Investment in subsidiary in the separate financial statements as at December 31, 2018 consisted of:

Subsidiary	Business type	<i>Percent</i>		<i>Baht</i>
		Holding	Paid-up share capital	Cost method
S.Kleber Chemical Co., Ltd.	Manufacture glue and chemical	100	50,000,000	49,999,980

The Board of Directors' Meeting held on May 12, 2018 passed a resolution to approve the incorporation of subsidiary "S.Kleber Chemical Company Limited" with the authorized share capital of Baht 100 million, divided into 10 million ordinary shares with the par value of Baht 10 each, 100 percent shareholding by the Company. The subsidiary called-up for its share capital of Baht 2.50 each, totalling of Baht 25 million.

The establishment of the mentioned subsidiary was registered with the Ministry of Commerce on July 11, 2018.

During the year, the subsidiary called-up for its share capital of Baht 2.50 each, totalling of Baht 25 million.

### 10. PROPERTY, PLANT AND EQUIPMENT

Movements of property, plant and equipment for the years ended December 31, 2018 and 2017 consisted of:

	Consolidated financial statements								Baki
	Land	Land improvements	Buildings	Utility system	Machinery and factory equipment	Office equipment	Vehicles	Work in progress/ assets under installations	Total
<b>Cost</b>									
At January 1, 2018	119,084,506	17,444,407	184,598,912	178,256,035	1,547,213,147	9,555,113	8,898,412	56,075,648	2,121,126,180
Purchases/ Transfer in	32,144,088	34,000	230,698,927	9,679,964	1,238,751,282	45,189,313	1,517,892	1,446,539,763	3,004,555,229
Disposals/ Transfer out	-	-	(1,508,253)	-	(54,203,784)	(344,325)	(4,531,300)	(1,464,862,650)	(1,525,450,312)
At December 31, 2018	151,228,594	17,478,407	413,789,586	187,935,999	2,731,760,645	54,400,101	5,885,004	37,752,761	3,600,231,097
<b>Accumulated depreciation</b>									
At January 1, 2018	-	4,578,325	29,370,889	39,150,579	432,673,165	6,641,314	6,217,561	-	518,631,833
Depreciation/ Transfer in	-	945,501	8,680,803	8,749,008	83,062,285	2,929,516	1,162,939	-	105,530,052
Disposals/ Transfer out	-	-	(962,596)	-	(25,441,552)	(315,789)	(4,531,299)	-	(31,251,236)
At December 31, 2018	-	5,523,826	37,089,096	47,899,587	490,293,898	9,255,041	2,849,201	-	592,910,649
<b>Allowance for impairment</b>									
At January 1, 2018	-	-	-	-	6,023,504	-	-	-	6,023,504
Reversal of loss on impairment	-	-	-	-	(1,093,955)	-	-	-	(1,093,955)
At December 31, 2018	-	-	-	-	4,929,549	-	-	-	4,929,549
<b>Net book value</b>									
At December 31, 2018	151,228,594	11,954,581	376,700,490	140,036,412	2,236,537,198	45,145,060	3,035,803	37,752,761	3,002,390,899



Baht

Separate financial statements									
	Land	Land improvements	Buildings	Utility system	Machinery and factory equipment	Office equipment	Vehicles	Work in progress/ assets under installations	Total
Cost									
At January 1, 2017	119,084,506	17,414,407	183,896,806	178,256,035	1,532,512,583	8,722,776	7,941,412	144,326	2,047,972,851
Purchases/ Transfer in	-	30,000	1,960,118	-	32,269,709	1,072,879	957,000	58,157,732	94,447,438
Disposals/ Transfer out	-	-	(1,258,012)	-	(17,569,145)	(240,542)	-	(2,226,410)	(21,294,109)
At December 31, 2017	119,084,506	17,444,407	184,598,912	178,256,035	1,547,213,147	9,555,113	8,898,412	56,075,648	2,121,126,180
Purchases/ Transfer in	-	34,000	230,698,927	9,679,964	1,238,751,282	45,189,313	1,517,892	1,446,529,763	2,972,401,141
Disposals/ Transfer out	-	-	(1,508,253)	-	(54,203,784)	(344,325)	(4,531,300)	(1,464,862,650)	(1,525,450,312)
At December 31, 2018	119,084,506	17,478,407	413,789,586	187,935,999	2,731,760,645	54,400,101	5,885,004	37,742,761	3,568,077,009
Accumulated depreciation									
At January 1, 2017	-	3,638,507	22,987,247	30,523,494	353,559,231	5,221,559	4,482,160	-	420,412,198
Depreciation	-	939,818	6,517,433	8,627,085	79,229,386	1,637,619	1,735,401	-	98,716,742
Disposals/ Transfer out	-	-	(163,791)	-	(115,452)	(217,864)	-	-	(497,107)
At December 31, 2017	-	4,578,325	29,370,889	39,150,579	432,673,165	6,641,314	6,217,561	-	518,631,833
Depreciation/ Transfer in	-	945,501	8,680,803	8,749,008	83,062,285	2,929,516	1,162,939	-	105,530,052
Disposals/ Transfer out	-	-	(962,596)	-	(25,441,552)	(315,789)	(4,531,299)	-	(31,251,236)
At December 31, 2018	-	5,523,826	37,089,096	47,899,587	490,293,898	9,255,041	2,849,201	-	592,910,649

Bahr

## Separate financial statements

	Land	Land improvements	Buildings	Utility system	Machinery and factory equipment	Office equipment	Vehicles	Work in progress/ assets under installations	Total
<b>Allowance for impairment</b>									
At January 1, 2017	-	-	-	-	6,023,504	-	-	-	6,023,504
Loss on impairment	-	-	-	-	-	-	-	-	-
At December 31, 2017	-	-	-	-	6,023,504	-	-	-	6,023,504
Reversal of loss on impairment	-	-	-	-	(1,093,955)	-	-	-	(1,093,955)
At December 31, 2018	-	-	-	-	4,929,549	-	-	-	4,929,549
<b>Net book value</b>									
At December 31, 2017	119,084,506	12,866,082	155,228,023	139,105,456	1,108,516,478	2,913,799	2,680,851	56,075,648	1,596,470,843
At December 31, 2018	119,084,506	11,954,581	376,700,490	140,036,412	2,236,537,198	45,145,060	3,035,803	37,742,761	2,970,236,811

	<i>Millions Baht</i>		
	Consolidated	Separate	
	financial statements	financial statements	
	2018	2018	2017
Depreciation for the years ended December 31, were included in			
- Cost of sales	99.23	99.23	93.00
- Selling and administrative expenses	6.30	6.30	5.72
Total	<u>105.53</u>	<u>105.53</u>	<u>98.72</u>
At December 31,			
The gross carrying amount of fully depreciated that is still in use	<u>124.43</u>	<u>124.43</u>	<u>48.41</u>
At December 31, The net book value of asset under finance lease agreements			
- Vehicles	<u>-</u>	<u>-</u>	<u>0.12</u>

The Company capitalized the borrowings costs during the year in the amount of Baht 4.50 million (year 2017: Baht 1.71 million) (see notes 22).

The Company had mortgaged land including existing construction and to be constructed in the future and certain of machine as collateral for bank overdrafts and loans from financial institutions (see notes 12 and 15).

## 11. INTANGIBLE ASSET

Movements of intangible asset for the years ended December 31, 2018 and 2017 consisted of:

	<i>Baht</i>		
	Consolidated financial statements		
	Software	Software under installations	Total
<b>Cost</b>			
At January 1, 2018	6,172,245	-	6,172,245
Purchases/ Transfer in	6,067,973	7,250,000	13,317,973
Disposals/ Transfer out	-	-	-
At December 31, 2018	<u>12,240,218</u>	<u>7,250,000</u>	<u>19,490,218</u>
<b>Accumulated amortization</b>			
At January 1, 2018	1,852,944	-	1,852,944
Amortization	3,878,453	-	3,878,453
Disposals/ Transfer out	-	-	-
At December 31, 2018	<u>5,731,397</u>	<u>-</u>	<u>5,731,397</u>
<b>Net book value</b>			
At December 31, 2018	<u>6,508,821</u>	<u>7,250,000</u>	<u>13,758,821</u>

*Baht*

	Separate financial statements		
	Software	Software under installations	Total
<b>Cost</b>			
At January 1, 2017	3,166,644	3,010,751	6,177,395
Purchases/ Transfer in	3,056,101	-	3,056,101
Disposals/ Transfer out	(50,500)	(3,010,751)	(3,061,251)
At December 31, 2017	6,172,245	-	6,172,245
Purchases/ Transfer in	6,067,973	7,250,000	13,317,973
Disposals/ Transfer out	-	-	-
At December 31, 2018	12,240,218	7,250,000	19,490,218
<b>Accumulated amortization</b>			
At January 1, 2017	1,099,874	-	1,099,874
Amortization	801,855	-	801,855
Disposals/ Transfer out	(48,785)	-	(48,785)
At December 31, 2017	1,852,944	-	1,852,944
Amortization	3,878,453	-	3,878,453
Disposals/ Transfer out	-	-	-
At December 31, 2018	5,731,397	-	5,731,397
<b>Net book value</b>			
At December 31, 2017	4,319,301	-	4,319,301
At December 31, 2018	6,508,822	7,250,000	13,758,821

*Millions Baht*

	Consolidated	Separate	
	financial statements	financial statements	
	2018	2018	2017
Amortization for the years ended December 31			
was included in cost of sales	3.88	3.88	0.80

## 12. SHORT-TERM LOANS FROM FINANCIAL INSTITUTIONS

Short-term loans from financial institutions as at December 31, 2018 and 2017 consisted of:

	<i>Baht</i>		
	Consolidated	Separate	
	financial statements	financial statements	
	2018	2018	2017
Promissory note	90,000,000	90,000,000	-

The Company had credit line from financial institutions detailed as at December 31, 2018 and 2017 as follow:

Lender	Type of credit	<i>Millions Baht</i>	Referred
		Credit line	interest rate
Commercial bank	Bank overdraft	20	MOR
Commercial bank	Letter of credit/Trust receipt	30	MLR
Commercial bank	Promissory notes	100	MLR
Commercial bank	Packing credit	420	MLR
Commercial bank	Letter of guarantee	25	-
Commercial bank	Interest rate swaps services	1,300	-

Lender	Type of credit	<i>Millions USD</i>	Referred
		Credit line	interest rate
Commercial bank	Foreign currency forward	72	Market price

The Company had mortgaged certain part of land including existing construction and to be constructed in the future and certain of machine (see note 10) and fixed accounts (see note 8) of the Company, as collateral for credit facilities from financial institutions.

**13. TRADE AND OTHER PAYABLES**

Trade and other payables as at December 31, 2018 and 2017 consisted of:

	<i>Baht</i>		
	Consolidated	Separate	
	financial statements	financial statements	
	2018	2018	2017
Trade payables	110,718,862	110,718,862	95,181,425
Other payables			
Accrued expenses	67,460,190	67,362,026	69,942,845
Payables from purchase of assets	98,873,190	98,873,190	22,911,992
Others	22,983,504	22,983,504	12,551,049
Total	189,316,884	189,218,720	105,405,886
Grand total	300,035,746	299,937,582	200,587,311

**14. CURRENT PORTION OF LIABILITIES**

Current portion of liabilities as at December 31, 2018 and 2017 consisted of:

		<i>Baht</i>		
		Consolidated	Separate	
		financial statements	financial statements	
	Note	2018	2018	2017
Loans from financial institution	15	142,856,000	142,856,000	-
Liabilities under finance leases		-	-	124,724
Total		142,856,000	142,856,000	124,724

**15. LOANS FROM FINANCIAL INSTITUTION**

Loans from financial institution as at December 31, 2018 and 2017 consisted of:

	<i>Baht</i>		
	Consolidated	Separate	
	financial statements	financial statements	
	2018	2018	2017
Loans from financial institution	467,013,342	467,013,342	10,261,009
Less Current portion	(142,856,000)	(142,856,000)	-
Long-term loans from financial institution	324,157,342	324,157,342	10,261,009

The details of the loans were summarized as follows:

Lender	Millions Baht				Period of payment	Percent	Repayment
	Credit line		Principal			Referred interest rate	
Company	2018	2017	2018	2017			
Commercial bank	1,500	1,500	467.01	10.26	Apr 2017 - Apr 2026	MLR	The first installment starting in the 25th month Installment 1 <sup>st</sup> - 83 <sup>th</sup> monthly principal repayment of Baht 17.86 million Installment 84 <sup>th</sup> repayment for the outstanding remained

Movements of loans from financial institution for the years ended December 31, 2018 and 2017 were as follows:

	Baht		
	Consolidated		Separate
	financial statements		financial statements
	2018	2018	2017
Beginning balance	10,261,009	10,261,009	710,134,081
Increase	456,752,333	456,752,333	101,763,000
Decrease	-	-	(801,636,072)
Ending balance	467,013,342	467,013,342	10,261,009

The Company had mortgaged certain part of land including existing construction and to be constructed in the future and certain of machine (see note 10) as collateral for credit facilities from financial institutions.

Conditions and restrictions

The Company have to maintain financial ratios as agreed in the loan agreement.

The Company have to mortgage the machines obtained in the future for new product line.

## 16. DEFERRED TAX

Deferred tax as at December 31, 2018 and 2017 consisted of:

	Baht		
	Consolidated		Separate
	financial statements		financial statements
	2018	2018	2017
Deferred tax assets	63,126,076	63,126,076	478,120
Deferred tax liabilities	(86,674,766)	(86,674,766)	(67,693,634)
Deferred tax liabilities - net	(23,548,690)	(23,548,690)	(67,215,514)



Movements in deferred tax assets and liabilities during the years were as follows

	Consolidated financial statements			
	At January 1, 2018	Profit (loss)	At December 31, 2018	
<b>Deferred tax asset</b>				
Intangible asset	-	564,521	564,521	
Provisions	478,120	178,464	656,584	
Deficit	-	61,904,971	61,904,971	
Total	478,120	62,647,956	63,126,076	
<b>Deferred tax liabilities</b>				
Property, plant and equipment	(67,693,634)	(18,981,132)	(86,674,766)	

	Separate financial statements						
	At January 1, 2017	Profit (loss)	Other comprehensive loss	At December 31, 2017	Profit (loss)	At December 31, 2018	
<b>Deferred tax asset</b>							
Intangible asset	-	-	-	-	564,521	564,521	
Provisions	539,195	153,320	(214,395)	478,120	178,464	656,584	
Deficit	-	-	-	-	61,904,971	61,904,971	
Total	539,195	153,320	(214,395)	478,120	62,647,956	63,126,076	
<b>Deferred tax liabilities</b>							
Property, plant and equipment	(51,325,719)	(16,367,915)	-	(67,693,634)	(18,981,132)	(86,674,766)	

## 17. EMPLOYEE BENEFITS OBLIGATIONS

Employee benefit obligations as at December 31, 2018 and 2017 consisted of:

		<i>Baht</i>		
		Consolidated financial statements	Separate financial statements	
		2018	2018	2017
Post-employment benefit plan				
Present value of obligations		3,282,922	3,282,922	2,390,600
Employee benefit obligations -				
include in the statement of financial position		3,282,922	3,282,922	2,390,600

Movements of the present value of employee benefit obligations for the years ended December 31, 2018 and 2017 were as follows:

	<i>Baht</i>		
	Consolidated financial statements	Separate financial statements	
	2018	2018	2017
<b>Post-employment benefit plan</b>			
Present value of employee benefit obligations as at January 1	2,390,600	2,390,600	2,695,976
Include in profit or loss:			
Current service cost	829,002	829,002	723,589
Interest cost	63,320	63,320	43,012
Defined benefit plan actuarial gain	-	-	(1,071,977)
Present value of employee benefit obligations as at December 31	<u>3,282,922</u>	<u>3,282,922</u>	<u>2,390,600</u>

The Group made defined benefit plan in accordance with severance payment as the labour law which entitled retired employee within work service period in various rates, such as more than 10 years to receive severance payment not less than 300 days or 10 months of the last month salary.

Principal actuarial assumptions in the consolidated financial statements and separate financial statements as at December 31, 2018 and 2017 (expressed as weighted averages) as follows:

	<i>Percent</i>
Discount rate	2.65
Salary increase rate	3
Turnover rate	0 - 25

The actuarial assumption of discount rate is estimated from weighted average of yield rate of government bonds as at the end of reporting date that reflects the estimated timing of benefit payments.

The actuarial assumption of mortality rate for reasonable estimation of probability of retirement in the future is estimated from mortality table in year 2008.

The result of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligations as at December 31, 2018 are summarized below:

	<i>Baht</i>	
	Increase	Decrease
Discount rate (1% Movement)	(227,394)	258,419
Salary increase rate (1% Movement)	289,189	(258,406)
Turnover rate (1% Movement)	(244,106)	56,065

**18. SHARE CAPITAL**

During September 15 - 20, 2017 the Company offered the share capital in the amount of 200 million shares to the public for subscription shares at the offering price of Baht 7.35 per share.

The Company received the mentioned subscription shares, totaling of Baht 1,470 million (the expense regarding the increase share capital of Baht 44.02 million were recorded by netting with the share premium account).

On September 26, 2017, the Company registered the change in its paid-up share capital from share subscriptions received of Baht 600 million to Baht 800 million with the Ministry of Commerce.

**19. LEGAL RESERVE**

According to the Public Limited Companies Act B.E. 2535, the Company is required to set aside 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 share capital. The statutory reserve could not be used for dividend payment.

**20. DIVIDEND PAYMENT**

The Ordinary General Shareholders' Meeting held on April 24, 2018, passed a resolution to approve the dividend payment at the rate of Baht 0.1074 per share, totalling Baht 85.92 million.

The Board of directors' Meeting held on January 23, 2017, passed a resolution to approve the interim dividend payment at the rate of Baht 0.18525 per share, totalling Baht 111.15 million. The Extraordinary General Meeting of Shareholders held on March 6, 2017 has ratified the mentioned dividend payment.

## 21. EXPENSES BY NATURE

Significant expenses by nature for the years ended December 31, 2018 and 2017 consisted of:

*Baht*

	Consolidated	Separate	
	financial statements	financial statements	
	2018	2018	2017
Changes in inventories of finished goods and work in process	(104,131,408)	(104,131,408)	31,081,271
Purchase of raw material and supplies	854,515,743	854,515,743	717,837,221
Employees expenses and utility expenses	312,672,694	312,672,694	258,539,252
Depreciation and amortization	136,050,787	136,050,787	116,949,138
Advertising and promotion expenses	14,732,575	14,732,575	16,872,727
Export expenses	194,642,488	194,642,488	169,920,301
Repairment and maintenance expenses	53,256,182	53,256,182	36,531,769
Consultant and services expenses	7,133,937	6,361,691	6,076,063
Bank charge and others fee	5,556,219	5,547,137	4,727,235

## 22. FINANCE COSTS

Finance costs for the years ended December 31, 2018 and 2017 consisted of:

*Baht*

	Consolidated	Separate	
	financial statements	financial statements	
	2018	2018	2017
Interest expenses	9,461,838	9,461,838	24,394,867
Bank charge	284,660	284,660	1,349,107
Total	9,746,498	9,746,498	25,743,974
Less Interest capitalised	(4,499,510)	(4,499,510)	(1,707,562)
Net	5,246,988	5,246,988	24,036,412

## 23. INCOME TAX

Income tax for the years ended December 31, 2018 and 2017 was calculated at a rate specified by the Revenue Department on net earnings after adjusting certain conditions according to the Revenue Code. The Group recorded the corporate income tax as expense for the years and recorded the accrued portion as liabilities in the statements of financial position.

Tax income (expense) for the years ended December 31, 2018 and 2017 consisted of:

	<i>Baht</i>		
	Consolidated financial statements	Separate financial statements	
	2018	2018	2017
<b>Current tax</b>			
Current year	-	-	-
<b>Deferred tax</b>			
Movements in temporary differences	43,666,824	43,666,824	(16,214,594)
Tax income (expense)	<u>43,666,824</u>	<u>43,666,824</u>	<u>(16,214,594)</u>

Income tax recognized in other comprehensive income for the years ended December 31, 2017 consisted of:

	<i>Baht</i>
Employee benefit obligations	(214,395)

Reconciliation of effective tax rate

	Consolidated financial statements	
	2018	
	Tax rate	<i>Baht</i>
	(%)	
Profit before income tax		163,119,008
Less Privileges granted under the Investment Promotion		<u>(148,226,672)</u>
Taxable income		<u>14,892,336</u>
Income tax using the corporate tax rate	20	2,978,467
Expenses not deductible for tax purposes		369,311
Addition expenses deductible for tax purposes		(3,376)
Tax loss carry forward		<u>(3,344,402)</u>
Current tax	-	-
Movement in temporary differences		<u>43,666,824</u>
Tax income	27	<u>43,666,824</u>

Separate financial statements				
2018		2017		
Tax rate		Tax rate		
(%)	<i>Baht</i>	(%)	<i>Baht</i>	
Profit before income tax	163,915,970		242,176,487	
Less Privileges granted under the Investment Promotion	(148,226,672)		(232,379,855)	
Taxable income	15,689,298		9,796,632	
Income tax using the corporate tax rate	20	3,137,860	20	1,959,326
Expenses not deductible for tax purposes		365,111		5,112
Addition expenses deductible for tax purposes		(3,376)		(376,511)
Tax loss carry forward		(3,499,595)		(1,587,927)
Current tax	-	-	-	-
Movement in temporary differences		43,666,824		(16,214,594)
Tax income (expense)	27	43,666,824	7	(16,214,594)

## 24. PROVIDENT FUND

The Company and its employees jointly registered a provident fund scheme under the Provident Fund Act B.E. 2530. The Fund is contributed to by both the employees and the Company. The Fund is managed by Krung Thai Asset Management Company Limited (Master Pooled Fund) and will be paid to the employees upon termination in accordance with the rules of the Fund. In the year 2018, the Company contributed in the amount of Baht 0.16 million. (year 2017: Baht 0.16 million)

## 25. SEGMENT INFORMATION

Operating segment information is reported in a manner consistent 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 the directors of the Company.

The Group operates its business in manufacturing and distributing MDF boards. Therefore management considers that the Company operates in a single line of business.

Management considers that the Group operates in a single geographic area, namely in Thailand, and has therefore only one geographic segment.

### Information about major customers

In year 2018, the Group had revenue from a major customer in the amount of Baht 318.37 million (year 2017: a major customer in the amount of Baht 257.96 million)

**26. COMMITMENTS AND CONTINGENT LIABILITIES**

As at December 31, 2018, the Group had commitments and contingent liabilities as follows:

**The Company**

- 26.1 Letter of guarantee issued by bank for electricity used in the amount of Baht 20.66 million.
- 26.2 Letter of credit issued by bank for payment of machines in the amount of Euro 2.44 million and in the amount of US dollar 0.04 million.
- 26.3 Commitments for payment under agreement as follows:
- 26.3.1 Purchase of machines contract are as follows:

<i>Millions</i>	
Currencies	Amount
USD	0.63
EUR	0.03
CHF	0.03
THB	0.63

- 26.3.2 Consultants and services contracts in the amount of Baht 4.80 million.

- 26.4 Selling forward exchange contract with domestic commercial banks are as follows:

<i>Millions</i>			
Currency	Outstanding balance	Exchange rate	Maturity
USD	2.76	Baht 32.30 - 33.17 per USD	Jan 14, 2019 - May 28, 2019

**Subsidiary**

- 26.5 Commitments for payment under the service agreement with a monthly service of Baht 0.01 million.

**27. PROMOTIONAL PRIVILEGES**

The Company received a promotion certificate under the Investment Promotion Act B.E.2520 for its business involving production of Medium Density Fiber Board (MDF). The major privileges granted to the Company are as follows:

- 27.1 Exemption from import duty on machinery as approved by the Board of Investment.
- 27.2 Exemption from corporate income tax on net profit derived from the operation of promoted businesses for a period of 8 years from the date operating income is first derived.
- 27.3 Exemption from income tax for dividends from the operation of promoted businesses through the promoted period.
- 27.4 Other privileges as stated in the certificate.

Moreover, the Company had to comply with the conditions stated in the certificate.

Revenues from domestic and export sales and other income classified into promoted and non-promoted segments for the years ended December 31, 2018 and 2017 consisted of:

		<i>Baht</i>		
		Consolidated financial statements		
		2018		
		Domestic	Export	Total
Promoted segment		41,056,828	1,503,251,569	1,544,308,397
Non-promoted segment		26,901,668	-	26,901,668
Total		67,958,496	1,503,251,569	1,571,210,065

		<i>Baht</i>					
		Separate financial statements					
		2018			2017		
		Domestic	Export	Total	Domestic	Export	Total
Promoted segment		41,056,828	1,503,251,569	1,544,308,397	39,426,187	1,529,926,995	1,569,353,182
Non-promoted segment		26,896,060	-	26,896,060	16,251,115	-	16,251,115
Total		67,952,888	1,503,251,569	1,571,204,457	55,677,302	1,529,926,995	1,585,604,297

## 28. DISCLOSURE OF FINANCIAL INSTRUMENTS

### 28.1 Accounting policies

The details of significant accounting policies and methods used for classification of financial assets and financial liabilities including valuation, basis of recognition of income and expenses are disclosed in note 3.

### 28.2 Capital management

The Board of Directors' policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board monitors the return on capital, which the Group defines as result from operating activities divided by total shareholders' equity and also monitors the level of dividends to ordinary shareholders.

### 28.3 Financial risk management policies

The Group is exposed to the fluctuations in interest rate and foreign currency exchange rate in the market and the risks from default of the agreement by counterparties. The Group has risk management policies as follows

#### 28.3.1 Interest rate risk

Interest rate risk is the fluctuation of the market interest rate in the future that will affect the Group operations and cash flows. The Group has interest rate risk from cash at banks because the interest rate of the financial assets fluctuates based on the market rate. In addition, the Group has not engaged in any hedging contracts related to interest rates.



**28.3.2 Foreign currency risk**

The Group's exchange rate risk primarily involves the purchases, machine and sales of goods in foreign currencies. As at December 31, 2018 and 2017, the Group had assets and liabilities in foreign currencies as follows:

Currencies	<i>Millions</i>			
	2018		2017	
	Assets	Liabilities	Assets	Liabilities
USD	1.65	0.17	0.75	0.12
EUR	-	2.46	-	-

**28.3.3 Credit risk – trade receivables**

The Group has a policy to hedge credit risk from trade receivables by forming a conservative credit policy and by determining the receipt from the sales and services. Therefore, the Group expects that the loss from the collection of those trade receivables should not exceed the allowance for doubtful accounts.

**28.4 Fair value**

The financial assets are cash and cash equivalents, trade and other receivables. Most of the financial liabilities are loans from financial institution trade and other payables, which have interest rates close to the market rate, the carrying amount of the financial assets and financial liabilities are not significantly different from their fair value.

**29. EVENTS AFTER THE REPORTING PERIOD**

The Board of Directors' Meeting held on February 27, 2019, passed the resolutions to approve dividend payment at the rate of Baht 0.0982 per share, totalling Baht 78.56 million.





