

## 12. Related Transaction

### (1) Related Persons and Significant Connected Transactions in 2017

					Thousand THB	Thousand THB
No.	Company	Product or nature of business	Nature of relationship and connected transactions	Transaction between companies	2016	2017
Transaction with parent company:						
1	Asahi Glass Co., Ltd.	Production and distribution of glass	Major shareholder, 59% shareholding since 22 February 2017	Purchase of machinery and equipment	-	19,925
				Service expense	-	1,454
				Reimbursement expense	-	476
Transaction with subsidiaries:						
1	Advanced Biochemical (Thailand) Co., Ltd.	Production of Epichlorohydrin (ECH)	Subsidiary, 100% shareholding	Service income	144,169	171,109
				Interest income	109,609	111,396
				Sale of Caustic Soda and CL2	674,083	773,616
				Reimbursement income	10	56
				Revenue from sale of spare parts	4,252	5,072
				Purchase of raw materials	174,963	196,877
				Reimbursement expense	203	203
				Purchase of spare parts	379	434
2	Solvay Biochemicals (Taixing) Co., Ltd.	Production of Epichlorohydrin (ECH)	Indirect subsidiary, 100% shareholding by subsidiary	Interest income	34,700	16,545
3	Advanced Biochemical Europe	Distribution of Epichlorohydrin (ECH)	Indirect subsidiary, 99.9% shareholding by subsidiary and 0.1% shareholding by the Company	Interest income	185	344
Transaction with associate company:						
1	Pimai Salt Co., Ltd.	Manufactured and trading of industrial salt	Vinythai holds 28.49 percent.	Purchase of raw materials	383,276	413,049



					Thousand THB	Thousand THB
No.	Company	Product or nature of business	Nature of relationship and connected transactions	Transaction between companies	2016	2017
Transaction with related company:						
1	Solvay S.A. and Solvay's Subsidiaries	Production and distribution of products in 2 core businesses: Chemical and Plastic	Solvay S.A. holds 100 percent of Solvay Vinyls Holding AG's shares.	Interest income	1	-
				Service income	4,903	553
				SIS service charge	23,044	1,984
				License and technical assistance services	3,643	1,303
				Commission expenses	1,718	285
				Purchase of raw materials	8,241	522
				Services expenses and others	5,615	1,733
2	Solvay Peroxythai Co., Ltd.	Production and distribution of hydrogen peroxide	Company owned by Solvay's subsidiaries holds 100 percent of its shares.	Sales of Hydrogen	47,086	6,002
				Service income	1,841	294
				Reimbursement income	150	37
				Purchase of hydrogen peroxide 50%	1,915	-
3	Solvay Asia Pacific Co., Ltd.	Regional Office Headquarter to provide services and consulting for business administration and technical assistances to affiliates	Solvay S.A. holds 100 percent of Solvay Asia Pacific's shares.	Service income	9,368	1,529
				Service expense	10,300	846
				Reimbursement income	97	-
4	MTP HP JV (Thailand) Co., Ltd.	Production and distribution of hydrogen peroxide	Company owned by Solvay's subsidiaries	Sales of Caustic Soda	17,900	3,242
5	PTT Global Chemical Public Co., Ltd.	Production and distribution of petrochemical products, by-products and the provision of support services	Holds 24.98 percent of the Company's share	Sales of Caustic Soda	66,812	100,345
				Purchase of ethylene	5,191,146	6,194,187
				Throughput fee and services	559	-
6	Thai Tank Terminal Ltd.	Provides storage and transport services for liquid chemicals, oil and gas.	Subsidiary of PTT Global Chemical Public Co., Ltd.	Rental tank and services	57,084	50,100
7	PTT Public Co., Ltd.	Production and distribution of oil and gas	Parent company of PTT Global Chemical Public Co., Ltd.	Purchase of raw materials	247,929	254,394
				Service expense	587	621



No.	Company	Product or nature of business	Nature of relationship and connected transactions	Transaction between companies	Thousand THB	Thousand THB
					2016	2017
8	PTT Asahi Chemical Co., Ltd.	Production and distribution of acrylonitrile and methyl methacrylate	Joint venture of PTT Global Chemical Public Co., Ltd.	Sales of Caustic Soda	26,827	39,587
9	Polymer Marketing DMCC Co., Ltd.	Polymer sales and marketing in Middle East	Indirect subsidiary of PTT Global Chemical Public Co., Ltd.	Sales of PVC	174,181	235,888
10	TOC Glycol Co., Ltd.	Production of ethylene oxide and ethylene glycol	Subsidiary of PTT Global Chemical Public Co., Ltd.	Sales of Caustic Soda	4,714	4,652
11	NPC Safety and Environmental Service Co., Ltd.	Provides safety and environmental services	Subsidiary of PTT Global Chemical Public Co., Ltd.	Service expense	91	372
12	PTT Polymer Logistics Co., Ltd.	Provides logistics services	Subsidiary of PTT Global Chemical Public Co., Ltd.	Transportation expense	19,706	20,715
13	AGC Chemicals (Thailand) Co., Ltd.	Production and distribution of Caustic Soda	Subsidiary of Asahi Glass Co., Ltd.	Sales of Caustic Soda	-	797,634
				Purchase of raw materials	-	13,428
				Purchase of spare parts	-	1,089
14	AGC Chemicals Vietnam Co., Ltd.	Production and distribution of Caustic Soda	Subsidiary of Asahi Glass Co., Ltd.	Reimbursement expense	-	10

## Remark:

The above related party transactions are in the ordinary course of business. The amount shown above were already included in the Statements of Income.

There are additional explanations in Notes no. 4 to the 2017 financial statements as examined and reported by the auditor under his/her audit report dated 23 February 2018.

## (2) Policy or Connected Transaction in the Future

In order to avoid any unnecessary conflict of interest, the Board of Directors has a policy to carefully scrutinize any connected transaction. Thus, the connected transaction in the future will be a normal business operation of which no special issue and no beneficial transfer between the Company, the associated or related company and the Shareholders would be carried out. This is to be in line with the Stock Exchange of Thailand's regulations based on Arm's Length Basis.

### 13. Important Financial Highlights

#### Responsibility Statement from the Board of Directors on the Disclosure of the Financial Report

The Board of Directors recognizes its duties and responsibilities towards the importance of conformity with all applicable rules and regulations in preparing financial statements for each financial year.

The financial statements of Vinythai Public Company Limited and its subsidiaries have been prepared with careful consideration, in compliance with the generally accepted accounting principles in Thailand, under Accounting Act B.E. 2543 (A.D. 2000), the financial reporting requirement of the Securities and Exchange Commission under the Securities and Exchange Act B.E. 2535, and other appropriate accounting policies. The Company has disclosed all important information in the Notes under the Financial Statements, in a proper and fully transparent manner.

The Board of Directors provides and maintains appropriate and efficient internal control systems, ensuring that all accounting records are accurate, complete and sufficient to prevent fraud or mismanagement and to protect the Company's assets.

In this regard, the Board of Directors has appointed the Audit Committee to review the financial reporting and internal control. The Audit Committee has monitored, evaluated, commented on, and reported to the Board of Directors the findings of the external auditor, KPMG Phoomchai Audit Limited, and the Internal Audit Department, including the key audit matters presented in the Independent Auditor's Report to the shareholders of Vinythai Public Company Limited, so as to ensure the development of a thorough risk management program as well as comply with major shareholders policy. The Committee also ensures that internal control systems are adequate, appropriate and in compliance with all relevant laws and regulations. The Audit Committee's Report is presented accordingly in this Annual Report.

The Board of Directors agrees that the overall internal control systems of the Company are satisfactory. It further concurs that the financial statement of Vinythai Public Company Limited and its subsidiaries for the year ending 31 December 2017 has been prepared in accordance with the generally accepted accounting principles in Thailand and that it complies with all relevant rules and regulations.



## **Independent Auditor's Report**

### **To the Shareholders of Vinythai Public Company Limited**

#### *Opinion*

I have audited the consolidated and separate financial statements of Vinythai Public Company Limited and its subsidiaries (the "Group") and of Vinythai Public Company Limited (the "Company"), respectively, which comprise the consolidated and separate statements of financial position as at 31 December 2017, the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying consolidated and separate financial statements present fairly, in all material respects, the financial position of the Group and the Company, respectively, as at 31 December 2017 and their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs).

#### *Basis for Opinion*

I conducted my audit in accordance with Thai Standards on Auditing (TSAs). 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 Accountants issued by the Federation of Accounting Professions that is 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 the consolidated and separate financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Valuation of investment in and loans to subsidiaries in the separate financial statements and valuation of property, plant and equipment and intangible assets of subsidiaries in the consolidated financial statements	
Refer to Notes 3(k), 4, 10, 11, and 12 to the financial statements.	
The key audit matter	How the matter was addressed in the audit
<p>One of the Group's business in Biochemical segment faced a number of challenges in the markets including the volatility of Epichlorohydrin prices and Glycerine prices due to their market situation and the shortage of supply, respectively. These factors, which the Group expects to persist in the foreseeable future, resulted in an operating loss of a wholly-owned subsidiary has been incurred which are indicators of impairment.</p> <p>The Group determines the recoverable amounts of assets using the asset's value in use. This involves significant judgments and estimates by management and since the balance of the assets is significant, so this is a focus area in my audit.</p>	<p>My audit procedures in this area included, among others:</p> <p>Obtaining an understanding of management's procedures for identifying an indication of impairment, impairment testing process as well as assessing the appropriateness of the identification of cash-generating units based on my knowledge of the client.</p> <p>To challenge the recoverable amounts of assets using the value in use, I:</p> <ul style="list-style-type: none"> <li>- checked the calculation of the estimated future cash flows, evaluated the appropriateness of the key assumptions applied by management, and compared these inputs with externally derived data and the business plan;</li> <li>- assessed the appropriateness of the forecasts by evaluating historical forecasting with actual results for the year;</li> <li>- challenged sensitivity analysis prepared by management around the key drivers of growth rates and discount rate used in the cash flow forecasts.</li> </ul> <p>I also evaluated the adequacy of the disclosures in accordance with Thai Financial Reporting Standards.</p>

Recognition of deferred tax assets	
Refer to Notes 3(s), 13 and 24 to the financial statements.	
The key audit matter	How the matter was addressed in the audit
<p>The Company has been granted privileges by the Board of Investment resulting the Company has recognised a deferred tax assets of Baht 260 million in respect of a portion of unused tax losses. The recoverability of recognized deferred assets is in part dependent on the Company's ability to generate future taxable profits sufficient to utilize tax losses (before tax losses expire).</p> <p>Future taxable profits involves significant judgments and estimates by management and since the balance of the assets is significant, so this is a focus area in my audit.</p>	<p>My audit procedures in this area included, among others:</p> <ul style="list-style-type: none"> <li>- reconciling tax losses and expiry dates to tax report as well as inspecting promotional privileges granted with the promotional certificates.</li> <li>- checking the calculation of forecast future taxable profits, assessing the appropriateness of the forecasts by evaluating historical forecasting with actual results for the year, and comparing the key assumptions applied by management in forecast future taxable profits and business plan.</li> <li>- evaluating the adequacy of the disclosures in accordance with Thai Financial Reporting Standards.</li> </ul>

### *Other Information*

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated and separate financial statements and my auditor's report thereon. The annual report 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 will 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 identified above when it becomes available 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.

### *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 TFRSs, 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 and the Company'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 and the Company'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 TSAs 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 TSAs, 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 and the Company'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 and the Company 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 entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

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

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

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the 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.

(Sirinuch Vimolsathit)  
Certified Public Accountant  
Registration No. 8413

KPMG Phoomchai Audit Ltd.  
Bangkok  
23 February 2018

# 1. Summary of Financial Status and Performance for the Past 3 Years

## (1) Summary of Financial Status and Performance for the Past 3 Years

### (a) Summary of the Auditor's Reports in the Past 3 Years

The independent auditor of KPMG Phoomchai Audit Ltd. conducted the audit in accordance with generally accepted auditing standards and expressed unqualified opinion that the Company's Financial Statements for the past 3 years were in accordance with generally accepted auditing principles in Thailand.

### (b) Financial Statements in the Past 3 years \*

Balance Sheets as of 31 December			Consolidated financial statements			
	2017 Baht	%	2016 Baht	%	2015 Baht	%
<b>Assets</b>						
<b>Current assets</b>						
Cash and cash equivalents	5,212,891,690	26.2	3,207,225,925	17.3	2,504,740,286	13.15
Trade account and other receivables	2,617,329,404	13.2	2,103,165,580	11.3	1,783,778,727	9.4
Inventories	1,113,490,467	5.6	962,426,715	5.2	1,028,165,846	5.4
Other current assets	265,000,039	1.3	264,411,860	1.4	341,955,467	1.8
<b>Total current assets</b>	<b>9,208,711,600</b>	<b>46.3</b>	<b>6,537,230,080</b>	<b>35.2</b>	<b>5,658,640,326</b>	<b>29.7</b>
<b>Non-current assets</b>						
Investment in associate	386,440,432	1.9	386,064,813	2.1	385,935,858	2.0
Property, plant and equipment	9,728,013,624	48.9	10,666,694,135	57.4	11,915,813,554	62.6
Intangible assets	234,162,856	1.2	247,664,854	1.3	270,737,207	1.4
Assets not used in operation	5,888	0.0	326,170,617	1.8	354,350,912	1.9
Deferred arrangement fee for long-term loan	2,759,523	0.0	4,139,285	0.0	5,519,046	0.0
Deferred tax assets	305,966,223	1.5	399,503,467	2.2	398,886,480	2.1
Other non-current assets	12,904,604	0.1	11,533,653	0.1	58,080,927	0.3
<b>Total non-current assets</b>	<b>10,670,253,150</b>	<b>53.7</b>	<b>12,041,770,824</b>	<b>64.8</b>	<b>13,389,323,984</b>	<b>70.3</b>
<b>Total assets</b>	<b>19,878,964,750</b>	<b>100.0</b>	<b>18,579,000,904</b>	<b>100.0</b>	<b>19,047,964,310</b>	<b>100.0</b>
<b>Liabilities and equity</b>						
<b>Current liabilities</b>						
Trade account and other payables	1,712,622,521	8.6	1,528,163,590	8.2	1,518,906,552	8.0
Current portion of long-term loans	-	-	618,353,828	3.3	112,460,000	0.6
Other current liabilities	128,350,499	0.6	113,026,158	0.6	88,488,581	0.5
<b>Total current liabilities</b>	<b>1,840,973,020</b>	<b>9.3</b>	<b>2,259,543,576</b>	<b>12.2</b>	<b>1,719,855,133</b>	<b>9.0</b>
<b>Non-current liabilities</b>						
Long-term loans	-	-	-	-	1,714,129,231	9.0
Employee benefit obligations	169,766,099	0.9	155,187,812	0.8	118,014,325	0.6
<b>Total non-current liabilities</b>	<b>169,766,099</b>	<b>0.9</b>	<b>155,187,812</b>	<b>0.8</b>	<b>1,832,143,556</b>	<b>9.6</b>
<b>Total liabilities</b>	<b>2,010,739,119</b>	<b>10.1</b>	<b>2,414,731,388</b>	<b>13.0</b>	<b>3,551,998,689</b>	<b>18.6</b>
<b>Equity</b>						
Share capital:						
Authorised share capital	7,111,160,664	35.8	7,111,160,664	38.3	7,111,160,664	37.3
Issued and paid-up share capital	7,111,160,664	35.8	7,111,160,664	38.3	7,111,160,664	37.3
Additional paid-in capital:						
Premium on ordinary shares	1,303,712,790	6.6	1,303,712,790	7.0	1,303,712,790	6.8
Retained earnings:						
Appropriated						
Legal reserve	711,116,066	3.6	711,116,066	3.8	711,116,066	3.7
Unappropriated	8,667,083,234	43.6	6,954,815,427	37.4	6,303,486,588	33.1
Other components of equity	75,152,877	0.4	83,464,569	0.4	66,489,513	0.3
<b>Total equity</b>	<b>17,868,225,631</b>	<b>89.9</b>	<b>16,164,269,516</b>	<b>87.0</b>	<b>15,495,965,621</b>	<b>81.4</b>
<b>Total liabilities and equity</b>	<b>19,878,964,750</b>	<b>100.0</b>	<b>18,579,000,904</b>	<b>100.0</b>	<b>19,047,964,310</b>	<b>100.0</b>

## Incomes Statements as of 31 December

## Consolidated financial statements

	<u>2017</u>		<u>2016</u>		<u>2015</u>	
	<u>Baht</u>	<u>%</u>	<u>Baht</u>	<u>%</u>	<u>Baht</u>	<u>%</u>
<b>Income</b>						
Revenue from sale of goods	19,281,791,834	99.4	15,659,001,556	98.6	16,555,114,987	99.4
Other income						
Interest income	43,978,271	0.2	22,669,365	0.1	22,973,046	0.1
Other income, net	77,602,168	0.4	205,214,569	1.3	75,078,014	0.5
<b>Total income</b>	<b>19,403,372,273</b>	<b>100.0</b>	<b>15,886,885,490</b>	<b>100.0</b>	<b>16,653,166,047</b>	<b>100.0</b>
<b>Expenses</b>						
Cost of sales of goods	15,316,635,801	78.9	13,538,511,740	85.2	14,741,791,837	88.5
Selling expenses	854,344,294	4.4	739,935,279	4.7	797,971,706	4.8
Administrative expenses	764,681,634	3.9	432,758,202	2.7	401,193,910	2.4
Doubtful debt expense	100,166,172	0.5	-	-	-	-
Impairment loss on plant and equipment and intangible assets	-	-	-	-	54,048,796	0.3
Net loss on derivatives	-	-	-	-	-	-
Finance cost	23,568,997	0.1	49,021,389	0.3	97,465,998	0.6
<b>Total expenses</b>	<b>17,059,396,898</b>	<b>87.9</b>	<b>14,760,226,610</b>	<b>92.9</b>	<b>16,092,472,247</b>	<b>96.6</b>
<b>Profit before share of profit from investment     in associated company and finance cost     and tax income (expenses)</b>	<b>2,343,975,375</b>	<b>12.1</b>	<b>1,126,658,880</b>	<b>7.1</b>	<b>560,693,800</b>	<b>3.4</b>
<b>Share of profit (loss) of investment     in associated</b>	<b>375,619</b>	<b>0.0</b>	<b>128,955</b>	<b>0.0</b>	<b>1,640,125</b>	<b>0.0</b>
<b>Profit (loss) before income tax expenses</b>	<b>2,344,350,994</b>	<b>12.1</b>	<b>1,126,787,835</b>	<b>7.1</b>	<b>562,333,925</b>	<b>3.4</b>
Income tax (expenses) benefits	(96,025,722)	(0.5)	(3,084,373)	(0.0)	3,683,537	0.0
<b>Profit (loss) for the year</b>	<b>2,248,325,272</b>	<b>11.6</b>	<b>1,123,703,462</b>	<b>7.1</b>	<b>566,017,462</b>	<b>3.4</b>
<b>Basic earnings per share</b>						
Net profit	1.90		0.95		0.48	
Weighted average number of ordinary shares (shares)	1,185,193,444		1,185,193,444		1,185,193,444	
	Shares		Shares		Shares	
<b>Retained earnings</b>						
Balance – beginning of year	6,954,815,427		6,303,486,588		5,870,309,466	
Dividend paid	(533,337,050)		(474,077,378)		(118,519,344)	
Profit (loss)	2,248,325,272		1,123,703,462		566,017,462	
Other comprehensive income (loss)	(2,720,415)		1,702,755		(14,320,996)	
<b>Balance – ending of year</b>	<b>8,667,083,234</b>		<b>6,954,815,427</b>		<b>6,303,486,588</b>	



## Cash Flows Statement as of 31 December

## Consolidated financial statements

	2017 Baht	2016 Baht	2015 Baht
<b>Cash flows from (used in) operating activities</b>			
Profit (loss) for the year	2,248,325,272	1,123,703,462	566,017,462
<b>Adjustments for</b>			
Income tax (expense) benefits	96,025,722	3,084,373	(3,683,537)
Finance costs	23,568,997	49,021,389	97,465,998
Depreciation and amortisation	1,277,984,902	1,491,592,735	1,466,459,125
Amortisation of arrangement fee for long-term loan	1,379,761	1,379,761	1,379,762
Unrealised (gain) loss on foreign exchange and derivatives	361,016	10,574,196	(5,822,405)
Share of profit of investment in associate	(375,619)	(128,955)	(1,640,125)
(Reversal of) allowance for decline in value of inventories	13,668,210	(33,875,101)	4,152,979
(Reversal of) impairment losses on assets not used in operation	(1,354,005,366)	2,994,479	54,048,796
Loss on write-off of plant and equipment and assets not used in operation	1,530,940,972	13,212,033	-
(Gain) loss on disposals of property, plant and equipment and assets not used in operation	98,438,425	(20,088,424)	802,120
Interest income	(43,978,271)	(22,689,365)	(22,973,046)
(Reversal of) allowance for doubtful accounts	100,166,172	-	(10,000,000)
Provisions for employee benefits	14,384,044	35,191,855	10,722,941
<b>Changes in operating assets and liabilities</b>			
Trade account and other receivables	(506,018,641)	(323,385,130)	177,955,413
Inventories	(164,731,962)	99,614,232	(170,025,001)
Other current assets	(103,617,224)	62,665,946	(79,898,137)
Other non-current assets	(1,370,951)	2,156,530	2,423,193
Trade account and other payables	167,813,453	12,677,082	104,151,547
Other current liabilities	14,221,325	24,116,579	7,907,804
Employee benefit paid	(3,206,276)	-	(2,651,034)
Income tax paid	(705,465)	(14,156)	-
<b>Net cash from operating activities</b>	<b>3,409,268,496</b>	<b>2,531,823,521</b>	<b>2,196,793,855</b>
<b>Cash flow from investing activities</b>			
Proceeds from sale of plant and equipment	51,793,700	55,866,516	144,711
Proceeds from sale of assets not used in operation	38,715,087	-	-
Acquisition of plant and equipment and intangible assets	(350,583,689)	(270,184,715)	(404,993,091)
Interest received	39,451,356	21,468,338	24,364,207
<b>Net cash used in investing activities</b>	<b>(220,623,546)</b>	<b>(192,849,861)</b>	<b>(380,484,173)</b>
<b>Cash flow from financing activities</b>			
Repayment of borrowings	(618,353,829)	(1,155,170,866)	(1,217,795,631)
Dividends to owners of the Company	(533,337,050)	(474,077,378)	(118,519,344)
Interest paid	(29,640,232)	(49,327,074)	(98,917,274)
Proceeds from long-term loans from financial institutions	-	-	-
<b>Net cash used in financing activities</b>	<b>(1,181,331,111)</b>	<b>(1,678,575,318)</b>	<b>(1,435,232,249)</b>
<b>Currency translation differences</b>	<b>(1,913,184)</b>	<b>42,629,130</b>	<b>(25,483,241)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>2,006,400,656</b>	<b>702,927,472</b>	<b>355,594,192</b>
Cash and cash equivalents at 1 January	3,207,225,925	2,504,740,286	2,149,100,554
Effect of exchange rate changes on balances held in foreign currencies	265,110	(441,833)	45,540
<b>Cash and cash equivalents at 31 December</b>	<b>5,212,891,690</b>	<b>3,207,225,925</b>	<b>2,504,740,286</b>

## Non-cash transaction:

Purchase of fixed assets for which no cash has been paid	34,456,712	11,844,251	12,150,258
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## 2. Summary of Significant Financial Ratio

		2017 <sup>#</sup>	2016 <sup>#</sup>	2015 <sup>#</sup>
<b><u>Liquidity Ratios</u></b>				
Current Ratios	times	5.00	3.98	3.29
Acid Test Ratios	times	4.25	3.16	2.49
Cash Flow Liquidity Ratios	times	1.96	1.51	1.32
Account Receivable Turnover Ratios	times	8.43	8.36	8.64
Collection Period	days	43	44	42
Inventory Turnover Ratios	times	14.76	13.60	15.63
Inventory Days	days	25	27	23
Account Payable Turnover Ratios	times	10.60	10.06	10.70
Payment Period	days	34	36	34
Cash Cycle	days	34	34	32
<b><u>Profitability Ratios</u></b>				
Gross Profit Margin	%	20.56	13.54	10.79
Net Profit Margin	%	11.59	7.10	3.40
Return on Average Equity	%	13.21	7.10	3.70
<b><u>Efficiency Ratios</u></b>				
Return on Average Assets	%	12.31	6.25	3.40
Return on Average Fixed Assets	%	33.26	21.99	15.52
Total Assets Turnover	times	1.00	0.83	0.85
<b><u>Financial Policy Ratios</u></b>				
Debt to Equity Ratios	times	0.11	0.15	0.23
Interest Coverage Ratios	times	100.47	23.90	6.77
Cash Coverage Ratios	times	4.25	0.67	0.32
Cash Coverage Ratios (Cash Basis)	times	6.16	1.47	1.12
Dividend Payout	%	47.44	47.47	83.76
<b><u>Information per Share</u></b>				
Book Value per Share	Baht/Share	15.08	13.64	13.07
Net Earning per Share	Baht/Share	1.90	0.95	0.48
Dividend per Share	Baht/Share	**0.90	0.45	0.40
<b><u>Growth Rate</u></b>				
Total Assets Growth	%	7.00	-2.46	-3.67
Total Liabilities Growth	%	-16.73	-32.02	-24.44
Sales Growth	%	23.14	-5.41	-6.69
Expenditure Growth	%	46.21	-5.49	-0.96
Net Profit Growth	%	100.11	98.50	158.73

Remark :

# Information in 2015,2016 and 2017 extracted from consolidated financial statements.

\*\* The Board of Directors' Meeting resolved to propose the Annual Ordinary General Meeting of Shareholders to consider and approve in April 2018.

## 14. Explanation and Analysis of Financial Status and Performance

### An Analysis of Performance

#### Analysis of Income

The Company and its subsidiaries recorded the total revenue of 19,403 MTHB of which 19,282 MTHB earned from sales revenue. The sales revenue increased by 3,623 MTHB or 23% comparing to the year 2016. The increment mostly derived from higher selling price across all products, particularly PVC, Caustic Soda and ECH, according to the market price trends caused by limited supply from China. The sales volumes also increased for all products, mainly as a consequence of higher Caustic Soda sales from lower EDC purchase plus greater ECH sales from the additional volume to China, Taiwan and Indian accounts. The share of domestic and export sales have no significant change comparing to the previous year.

Sales Revenues	2017		2016	
	MTHB	%	MTHB	%
<b>Domestic Sales</b>				
1. PVC Resins	5,418	28.1	5,885	37.6
2. Caustic Soda	4,017	20.8	2,225	14.2
3. VCM	1,667	8.6	1,516	9.7
4. ECH	649	3.4	570	3.6
5. Others	79	0.4	61	0.4
<b>Total Domestic Sales</b>	<b>11,830</b>	<b>61.4</b>	<b>10,258</b>	<b>65.5</b>
<b>Export Sales</b>				
1. PVC Resins	4,440	23.0	3,484	22.2
2. Caustic Soda	65	0.3	-	-
3. VCM	-	-	-	-
4. ECH	2,947	15.3	1,917	12.2
<b>Total Export Sales</b>	<b>7,451</b>	<b>38.6</b>	<b>5,401</b>	<b>34.5</b>
<b>Domestic and Export Sales</b>				
1. PVC Resins	9,857	51.1	9,369	59.8
2. Caustic Soda	4,082	21.2	2,225	14.2
3. VCM	1,667	8.6	1,516	9.7
4. ECH	3,596	18.6	2,488	15.9
5. Others	79	0.4	61	0.4
<b>Total Domestic and Export Sales</b>	<b>19,282</b>	<b>100.0</b>	<b>15,659</b>	<b>100.0</b>



**Analysis of Costs and Expenses**

1. In 2017, Cost of sales was 15,317 MTHB, increased by 1,778 MTHB comparing to 2016 or 13% as a result of higher sales volume and Ethylene and Glycerin price increase. The rise of Ethylene price was influenced by both tight Ethylene supply from crackers maintenances and low Methanol-to-Olefins operating rate. Strong Ethylene demand derived from greater China's consumption and higher Ethylene derivatives' margin. Meanwhile, the hike in Glycerin price was driven mostly from its limited supply led by the impact of USA's Anti-Dumping Duty to biodiesel imported from Argentina and Indonesia plus low Oleochemicals and Biodiesel industries' operating rates in respond to high vegetable oil price.

Despite the increase of main raw material costs, the products' spread margin was improved together with the reliability of production unit throughout the year 2017. The Company and its subsidiaries have been able to increase the Gross Profit margin by 7% compared to the year 2016.

2. In 2017, distribution costs, administrative expenses, and doubtful debt expenses was 1,719 MTHB, increased by 546 MTHB or 47% from 2016. This increment was mainly from the loss on written-off and disposal of plant and equipments and intangible assets of Solvay Biochemicals (Taixing) Limited ("SBT"). Moreover, it was also caused by the transitional service expense plus the additional transportation and commission costs.

**An Analysis of Financial Status \*****Analysis of Assets**

As at 31 December 2017, the Company and its subsidiaries had 19,879 MTHB of the total assets, which was increased 1,300 MTHB or 7% from previous year.

Details of the major changes were following:

1. As at 31 December 2017, the Company and its subsidiaries had net cash and cash equivalents amounting to 5,213 MTHB, increasing 2,005 MTHB or 63% comparing to 3,207 MTHB at the end of 2016. (see further information in analysis of cash flow)
2. The balance of trade receivables at the end of 2017 was 2,605 MTHB, increasing by 633 MTHB comparing to 1,972 MTHB at the end of 2016. Most of the receivables were not yet due. For the corresponding bad debt, the Company had already set sufficient provision.
3. The balance of other receivables at the end of 2017 was 12 MTHB, decreasing by 119 MTHB comparing to 131 MTHB at the end of 2016. The decrement mostly came from the receipt of 111 MTHB insurance claims receivable from electricity blackout incidence in July 2016.

4. The Company and its subsidiaries had net inventories at the end of 2017 amounting to 1,113 MTHB, increasing from 962 MTHB of the year 2016.
5. At the end of 2017, the Company and its subsidiaries had net property, plant and equipment, intangible assets, and assets not used in operation amounting to 9,962 MTHB or decreasing by 1,279 MTHB comparing to 11,241 MTHB at the end of 2016, mainly from normal depreciation and the disposal and written-off of SBT's assets not used in operation.
6. The balance of deferred tax assets at the end of 2017 was 306 MTHB, decreasing by 94 MTHB comparing to 400 MTHB at the end of 2016 due to the reverse of deferred tax assets from loss carried forward in 2017 amounting to 101 MTHB.

#### **Analysis of Liabilities**

The Company and its subsidiaries had total liabilities at the end of 2017 amounting to 2,011 MTHB which decreased by 404 MTHB or 17% comparing to 2016. The major change of the liabilities was the repayment of long-term loan amounting to 618 MTHB. As at 31 December 2017, the Company and its subsidiaries had no loan outstanding compared to 2016.

#### **Analysis of Shareholders' Equity**

As at 31 December 2017, the shareholders' equity was 17,868 MTHB which increased by 1,704 MTHB or 11% comparing to 16,164 MTHB at the end of 2016. The increment was mainly from the net profit of 2016 offset with dividend paid to its shareholders.

#### **Analysis of Cash Flow**

As of 31 December 2017 the Company and its subsidiaries' Cash Flow Statement presented 5,213 MTHB of cash and cash equivalents. The sources and uses of funds were following:

1. In 2017, the net cash flow from operating activities was 3,409 MTHB which increased by 864 MTHB or 34% comparing to 2016 from Company's better operating results.
2. In 2017, the net cash flow used in investing activities was 221 MTHB, increased by 15 MTHB comparing to its amount of 206 MTHB in 2016. The reason was more purchase of machinery and equipment by the Company and its subsidiaries in 2017 comparing to last year.
3. In 2016, the net cash flow used in financing activities totaling of 1,181 MTHB mainly from the repayment of long term loan 618 MTHB and dividends paid to shareholders 533 MTHB.

Net cash flow from operating activities	3,409	MTHB
Net cash flow used in investing activities	(221)	MTHB
Net cash flows used in financing activities	(1,181)	MTHB
Increase in translation adjustments of its subsidiary (SBT)	<u>(2)</u>	MTHB
Net increase in cash and cash equivalents	<u>2,005</u>	MTHB

Financial Ratios

	<u>2017</u>	<u>2016</u>
Gross profit margin	20.6%	13.5%
Net profit margin	11.6%	7.1%
Debt to Equity ratio	0.11	0.15
Earnings per share	1.90	0.95
ROA	12.3%	6.2%
ROE	13.2%	7.1%

Gross Profit margin	=	Gross Profit (Total Sales - Costs of Sales) to Sales
Net Profit margin	=	Net Profit to Total Revenues
Debt to Equity	=	Total Liabilities to Total Equity
Return on Assets (ROA)	=	Profit before financial costs and income tax to average Total Assets
		Return on Equity (ROE)
Gross Profit margin	=	Gross Profit (Total Sales - Costs of Sales) to Sales