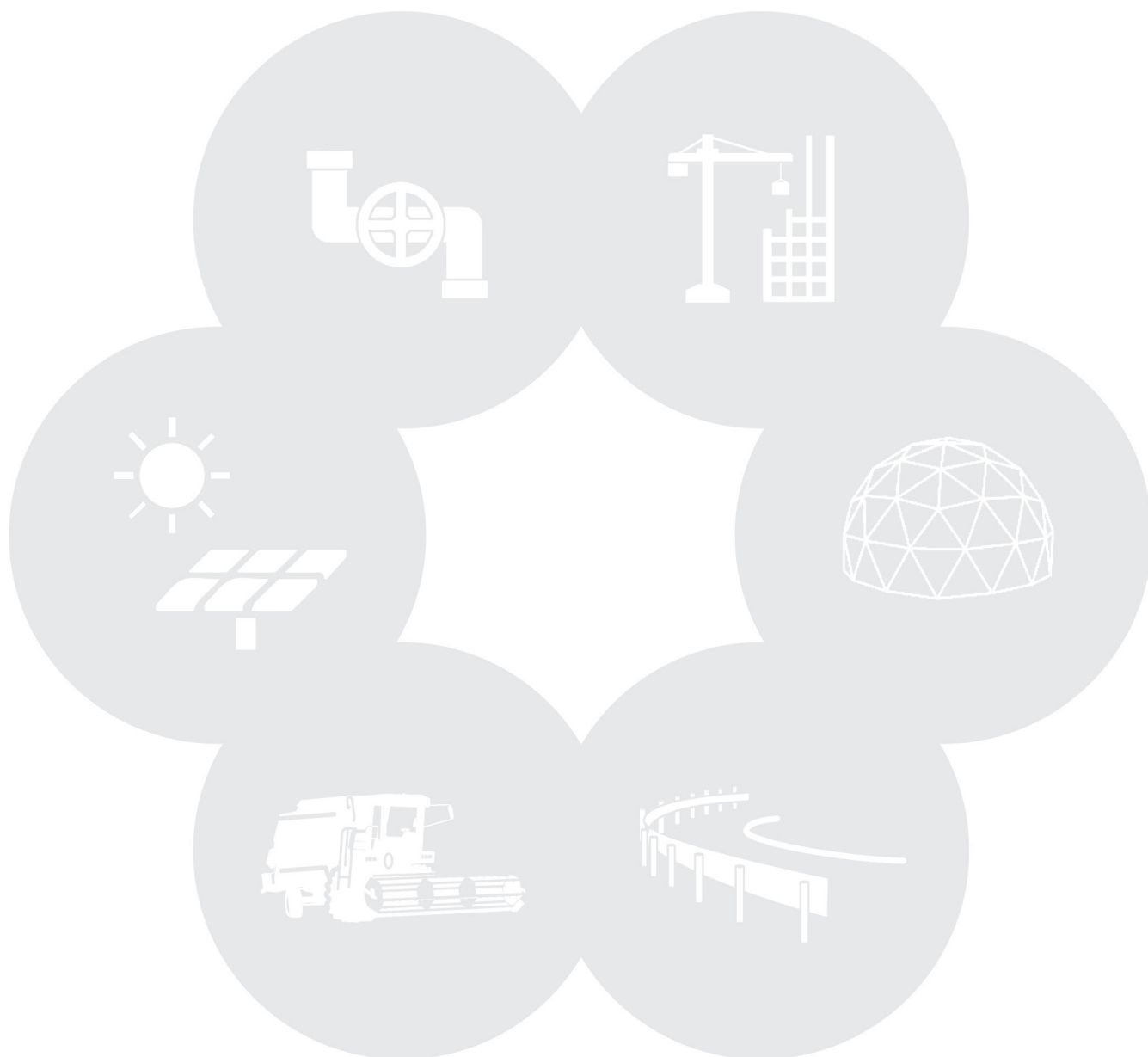


Annual Report 2016

ON OUR WAY TO THE TOP



PAPCIFIC PIPE PUBLIC COMPANY LIMITED

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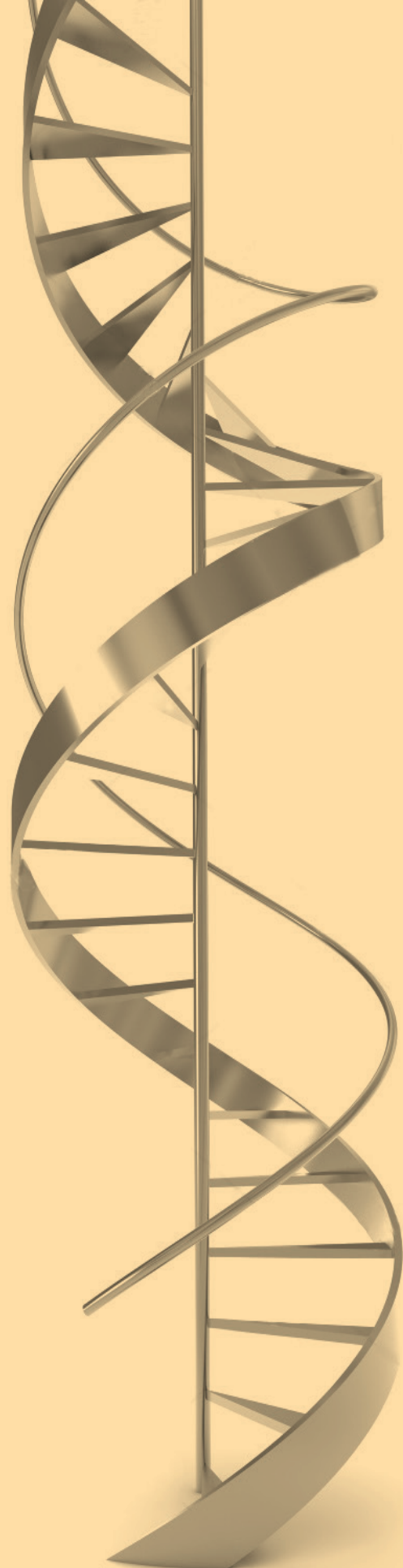
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Vision

Be the quality steel pipes leader



Mission

1. Be the company that has the innovative production, distribution and on time delivery as customer requirement and in a competitive price
2. Aim to develop personnel and modern technology, innovative managment as the result of intention, expertise and team working of personnel at all level
3. Participate in economic, social and environmental development of the country
4. Develop valuable business to sustainably yield to stakeholders

Value



Focus on Customer



Achievement
Orientation



Share for Knowledge
Management



Teamwork

BE MORE EXPERIENCE



PIPEING SYSTEM



CONSTRUCTION



ARCHITECTURE



INFRASTRUCTURE



ARGO INDUTRY

Quality Steel Pipe

Pacific Pipe Public Company Limited is one of the leading steel pipe manufacturers in Thailand with customers in more than 10 countries around the world. We offers steel pipes, such as round black steel pipes, round galvanized steel pipes and lip channel steel of various international standards with expertise and experience for over 45 years. Our steel pipe produce throug had vanced technological facilities, sophisticated equipment and modren machines controlled by skilled engineers and technicians, thus our products have been certified by many reputable institutions around the world.



ENERGY INDUSTRY



Message from Chairman

Global economy had a tendency to expand positively in the end of 2016 although some country's economic growth was smaller than expected due to, partially, the impact from Brexit and many countries' economic situation. However, economic condition of the United States of America, a country influences in the world economic growth, maintained its growth in the second half of the year due its domestic consumption expansion. Meanwhile, economic condition in European Union and Japan had small expansion due to unemployment problem in European Union and chronic deflation in Japan. For Thailand, economic growth was satisfying in the first half of the year which was likely caused by the government's investment and domestic tourism expansion. Still, a concern over instability in the USA caused a slight decreasing in domestic confidence to the same period last year.

For steel industry in 2016, domestic steel and steel product sales volume increase 10.86% comparing to the last year considering the rising production. This could be a result from the dramatic increasing in steel price comparing to 2015. As a consequence, the Company's result of operation in 2016 shows 8.21% sales volume (ton) increasing from the last year with total revenue at 7,150.37 million baht and net profit at 546.38 million baht or 1,370.96 % increasing from the last year.

In 2017, economy of world superpower such as USA and Japan tend to grow higher, comparing to the previous year, considering domestic consumption and proactive policy of the US government, as well as investment from government of Japan. China's economy, on the contrary, tends to decelerate slightly due to its economic reform to relieve intense in some business sector. Thailand's economic growth tendency is also influenced mainly by domestic consumption encouragement from a more solid infrastructure investment, household consumption

encouragement measurement from the government and a likely low interest rate policy all year 2017. These factors tend to boost domestic investment and maintain domestic demand for steel in a high level.

Apart from the management aspect, the company also values the business ethics and encourages all levels of the employees to perform with Good Corporate Governance and Ethics toward all groups of stakeholders by valuing both Corporate Governance and Corporate Social Responsibility (CSR). In 2016, the Company's evaluation result of Corporate Governance Report of Thai Listed Company (CGR) from Thai Institute of Directors (IOD) was "Very Good." Moreover, the Company continuously managed CSR activities for the stakeholders, focusing on the well-being of internal society: the employees and community in the factory area, as stated in Corporate Social Responsibility Report.

Lastly, the Board of Director is grateful for the support from the shareholders, trade partners, all parties involved and financial institutions, and for the continual and united performance and participation of the employees in the Company's achievement. We ensure that we will prudently operate the business with the Good Governance for the greatest advantage of all stakeholders.



Mr. Somchai Lekapojpanich
Chairman

Appointed as of 17 January 2017

Moving Courageously
Towards New
Discoveries



Financial Highlight

(Unit : Million Baht)

Financial Position

	2014	2015	2016
Sales and service income	6,849.02	6,475.00	6,993.96
Total Revenue	7,019.95	6,615.59	7,150.37
Operating Profit	277.97	37.43	683.07
Net Profit (Loss)	181.08	(42.99)	546.38
Total Assests	4,000.96	3,317.83	3,707.86
Total Liabilities	1,838.50	1,307.23	1,150.88
Total Equity	2,162.46	2,010.60	2,556.98

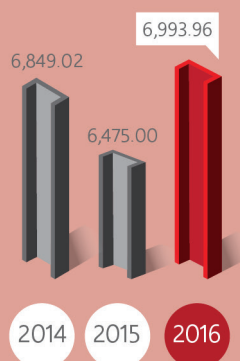
Financial Ratio

Net Profit on Total Revenues (Percentage)	2.58	- 0.65	7.64
Return on Equity (Percentage)	8.37	- 2.14	21.37
Return on Assets (Percentage)	4.53	- 1.30	14.74
Debt to Equity (Times)	0.85	0.65	0.45
Earning per share (Baht/Share)	0.21	(0.12)	0.78
Dividend Payout (Percentage)	76.19	0.00	126.92
Book Value Per Share (Baht/Share)	3.28	3.05	3.87
Share and Fully Paid-up Share Capital (Million Shares)	660.00	660.00	660.00

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

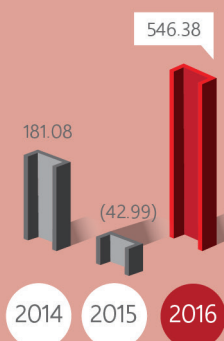
Sales and service income

(Unit : Million Baht)



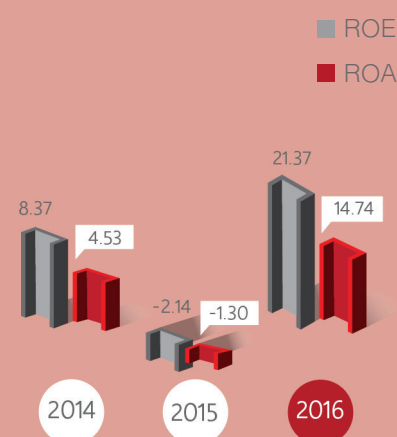
Net Profit (Loss)

(Unit : Million Baht)



Financial Ratio

(Unit : Million Baht)



General Information

Pacific Pipe Company Limited



Ticker	: PAP
Type of Operation	: Manufacturing and selling steel pipes
Phra Pradang Plant Location	: 298, 298/2 Moo 1, Soi Klabchareon 3, Suksawad Road, Pakklongbangplakod, Prasamutjadee, Samutprakarn, Thailand 10290
Mahachai Plant Location (I)	: 1/112 Samutsakorn Industrial Park, Moo 2, Rama II Road, Tambol Tasai, Amphoe Muang Samutsakorn, Samutsakorn 74000
Mahachai Plant Location (II)	: 1/97 Samutsakorn Industrial Park, Moo 2, Rama II Road, Tambol Tasai, Amphoe Muang Samutsakorn, Samutsakorn 74000
Mahachai Plant Location (III)	: 24/31 Moo 2, Tambol Tasai, Amphoe Muang Samutsakorn, Samutsakorn 74000
Distribution Centre Location (I)	: 158 Moo 6, Tambol Bangbor, Amphoe Bangbor, Samutprakarn 10560
Distribution Centre Location (II)	: 50/6 Moo 2, Tambol Namai, Amphoe Lad Lum Kaew, Patumthani 12140
Office Location	: 1168/74 Lumpini Tower, Fl.26, Rama IV Road, Tungmahamek, Sathorn, Bangkok 10120
Registered Number	: Bor Mor Jor 0107547000206
Telephone (office)	: +662-679-9000
Facsimile (office)	: +662-679-9075
Website	: www.pacificpipe.co.th
Registered Capital	: Baht 660,000,000
Paid up Capital	: Baht 660,000,000
Type of securities	: Common share
No. of paid up common share	: 660,000,000 shares
Par value	: Baht 1 per share

Investment in other companies with more than 10% shareholding

Tamose Trading Company Limited (subsidiary)



Ticker	: TMS
Office location	: 1168/68-69 Lumpini Tower, Fl.24, Rama IV Road, Tungmahamek, Sathorn, Bangkok 10120
Type of Operation	: Selling steel pipes
Registered Capital	: Baht 1,000,000
Paid up Capital	: Baht 1,000,000
Type of securities	: Common share
No. of paid up common share	: 10,000 shares
Par value	: Baht 100 per share

Meesup Transport Company Limited (subsidiary)



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

Reference

Registrar	: Thailand Securities Depository Company Limited 93 Ratchadaphisek Road, Dindaeng, Bangkok 10400
Auditor	: EY Office Limited 193/136-137, 33rd Floor, Lake Rajada Office Complex, New Rajadapisek Road, Klongtoey, Bangkok 10110

The Company's History

1972

Pacific Pipe Public Company Limited was established as Tang Mong Seng factory by the Lekapojpanich family which initially produced and sold toy cars.

1981

We expanded the business into the production of pipe which was pipe furniture and various types of pipes, which this was the start of our success as the leading steel pipe manufacturer in Thailand.

1991

Since the steel pipe sector had proved considerably successful and grown extensively, the Family then decided to switch their focus to solely on this business, and therefore, set up Pacific Pipe Company Limited on September 19th, 1991 as a manufacturer and distributor of steel pipes.

2003

To restructure the Company, some of the Family members jointly set up Tang Mong Seng Holding Co., Ltd. in order to hold shares in the Company instead of individual holding. The Company decided to purchase shares of Tamose Trading Co.,Ltd. (Tamose) from Lekapojpanich family by holding 99.94% of total paid up shares of Tamose. Currently, Tamose is responsible for operating sales and marketing functions in both domestic and international scales on behalf of Pacific Pipe PLC.

2004

As of March 17th, 2004, the Company was converted to a public company under the name "Pacific Pipe Public Company Limited" with the registered capital of 660 million baht by means of share offering of 16 million shares

with the par value of 10 baht per share. The Company conducted Initial Public Offering (IPO) of 15.3 million shares at the offering price of 45 baht per share and issued 700,000 warrants to seven directors.

The Securities were listed on the Stock Exchange of Thailand on November 8th, 2004

2006

The Company took over Meesub Transport Co., Ltd. by purchasing 99.97% of Meesub's total shares. Meesub Transport Co., Ltd. is currently responsible for operating the logistics function on behalf of Pacific Pipe Public Company Limited.

On April 7th, 2006, the Annual General Meeting of the year passed the resolution allowing the Company to split par value of the common shares from 10 baht to 5 baht, which resulted to the increase in the number of the Company's common shares from 66 million shares to 132 million shares.

The construction project of the large size steel pipe factory at the Industrial Park at Samutsakorn province was completed. This plant has the total production capacity of 100,000 tons per year, enables the Company to enlarge the maximum size of our steel pipes from 8 inches to 16 inches.

2007

The distribution Center at Lad Lump Kaew district was completed and started operations ever since.

2008

As of July 30th, 2008, the Extra Ordinary General Shareholder Meeting No.1 / 2008 passed the resolution allowing the Company to split par value of ordinary share from 5 baht to 1 baht, which resulted to the increase in the number of the Company's ordinary shares from 132 million shares to 660 million shares which the operating completed on August 13th, 2008.

As of September 14th, 2008, the Board of Directors meeting No.11/2008 passed the resolution about the Treasury Stock Program for Financial Management. The amount for the share repurchase should not exceed 21 million Baht. Number of shares repurchased equal 3.18% of total paid-up capital.

2009

As of December 9th, 2009 the Extra Ordinary General Shareholder Meeting No.1/2009 approved the purchasing land in Samut Sakorn Industrial Estate instead of rental land. The land in Samut Sakorn is a plant for producing large steel pipes.

2010

As of March 8th, 2010, the Company has completed in Treasury Stock Program which sales of repurchase share in the total of 1,450,700 shares which purchased in the rate of 0.93 Baht per share and sale in the rate of 1.63 Baht per share.

2011

Pacific Pipe gets a standard guarantee by JIS Mark Scheme Certificate of Compliance from JQA. JQA is a Japanese non-profit organization which has a main responsibility to issue a guarantee document for the products which are in line with the Japanese Industrial Standards (JIS) condition. The guaranteed product will be allowed to put the symbol  or JIS Mark upon it then the customers will acknowledge that this product can be used correctly and safely with reference to the Japanese industrial standard.

Pacific Pipe Public Company Limited is the first steel manufacturer of Thailand who gets the Japanese standard

guarantee, JIS Mark Scheme Certificate of Compliance. Pacific Pipe aims for increasing a choice of high quality steel pipe for customers, both of steel pipes for general structural purposes and ordinary piping.

2013

At the end of the year 2013, the Company started the capacity expansion project by the construction of factory and warehouse adjacent to the area of Samut Sakorn Industrial Park which is called PM3. The production capacity will increase around 150,000 tons per year and will be finished in the end of quarter 3 of 2014.

2014

The PM3 factory was launched. With production capacity of 150,000 tons per year, it enables the Company to increase its capacity to manufacture fast-selling products.

The Company's testing and/or calibration laboratory acquires ISO/IEC 17025 from Thai Industrial Standards Institute, Ministry of Industry. It guarantees that the Company's quality system operation in testing and/or calibration activities complies with ISO 9000 standard serial number, a proof that the product quality testing laboratory is accurate and reliable.

2015

The Company acquires ISO 14001 Environment Management Systems Use from TUV NORD (Thailand) Ltd. which guarantees that the Company has a systematic environment management.

The Company's products receive FM Approvals Class: 1603 - Steel Pipe for Automatic Fire Sprinkler Systems standard certification from FM Global, United State of America, which is one of the largest commercial, industrial insurance and risk management standard. Such standard certified product will be marked with symbol,  which is an alternative for a standardized steel pipe for extinguishing system.

Nature of Business Operation

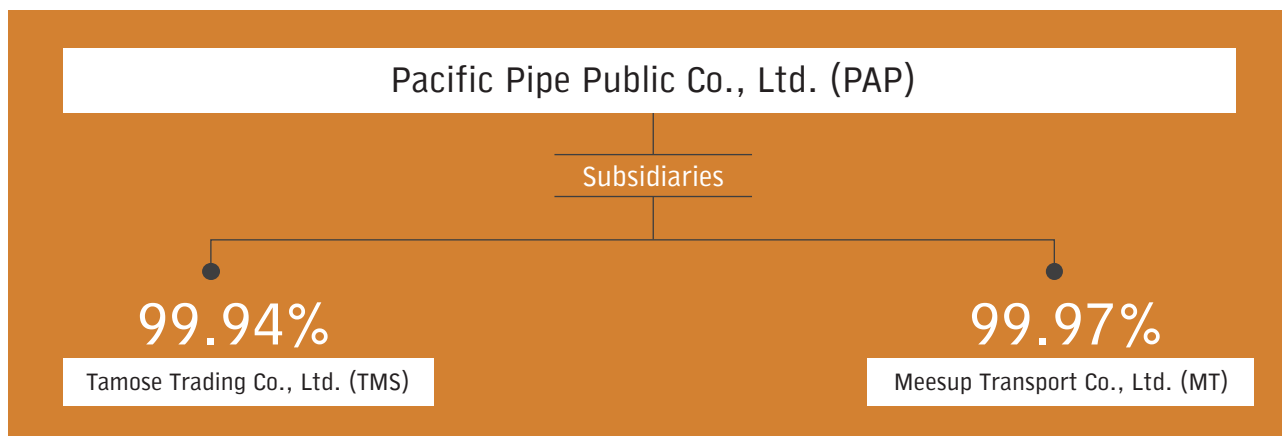
Overall Business

Pacific Pipe Public Company Limited is a manufacturer which the core business of the Company is manufacturing and distributing steel pipes, produced by process of Electric Resistance Welded production system (ERW). Presently, the Company offers more than 5,000 product choices to our customers, which those of our products can be categorized into 2 types, which are (i) black steel pipes and (ii) galvanized steel pipes, and in each type, there are 2 grades, which are (i) standard grade and (ii) commercial grade. Steel pipes with standard grade are labeled and sold under Pacific Pipe brand “” while steel pipes with commercial grade are labeled and sold under Tamose brand “”.

The Operation between Pacific Pipe and Tamose Trading is well designed to achieve the highest efficiency by having Pacific Pipe operating as steel pipes manufacturer, while Tamose Trading, as the marketing, is responsible for coordinating with customers throughout the sales process of the Company. Marketing functions of Tamose Trading can be categorized as follows:

- For standard grade product, Tamose Trading performs as a selling agent that sells the product under the brand Pacific Pipe “” and receives the commission in return.
- For commercial grade product, Tamose Trading purchases the product directly from the Company and resells it to external customers under its own brand Tamose “”.

However, since Tamose Trading is one the Company’s subsidiaries and responsible for the Company’s marketing, the Company and Tamose Trading then collaborate intimately in order to generate the best and most effective production and marketing plans. Tamose Trading will purchase products from the Company only when receiving orders from customers in order to keep Tamose Trading’s working capital usage at the most appropriate level. Moreover, with the good corporation with Meesup Transport, another subsidiary of the Company which takes care of the Company’s delivery function, the Company has continuously maintained the high standard of delivery. The shareholding structures of the subsidiaries are described as follows:

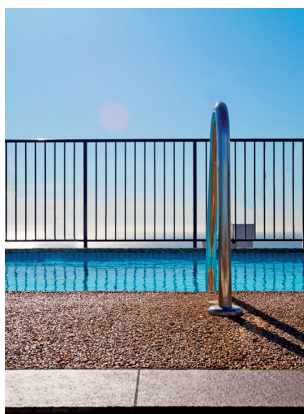


Revenue Structure

	2014		2015		2016	
	(MB.)	(%)	(MB.)	(%)	(MB.)	(%)
Sales and service income						
Domestic	6,632.78	94.48	6,303.48	95.28	6,806.30	95.19
International	124.38	1.77	106.36	1.61	93.21	1.30
Service income	91.86	1.31	65.16	0.98	94.45	1.32
Total Sales and service income	6,849.02	97.57	6,475.00	97.87	6,993.96	97.81
Net foreign exchange gain	0.44	-	6.53	0.10	-	-
Other revenues	170.49	2.43	134.06	2.03	156.41	2.19
Total Revenue	7,019.95	100.00	6,615.59	100.00	7,150.37	100.00

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

Example of steel pipes for general work



Business Characteristics

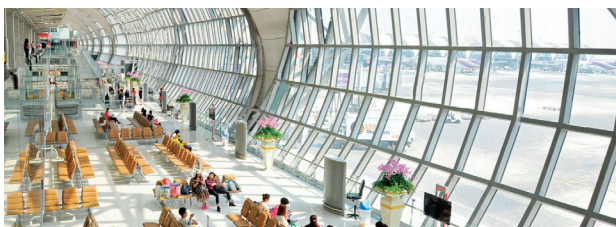
Products

Our steel pipes are manufactured by the process of Electric Resistance Welded production system (ERW). The company offers both of made to order and finished products. The product can be divided to 2 following categories.

1. Steel pipes for general work

Typically, steel pipes can be utilized in a variety of applications such as utility work, water transmission work, fire extinguishing work, and the trend of using steel pipe for other purposes such as implemented as an aquifer pipes or hose for fire water system in lubricate for high building compensation using PVC because there is strength and can accommodate more than pressure hose commonly PVC up to 5 times and can be adapted more convenient than pipes PVC. In addition, steel pipes can also be exploited in the agriculture, fence, doors and general decoration such as banister, fence houses and blocking roads, structure of bill board sign etc.

Example of steel pipes for construction work



2. Steel pipe for construction work

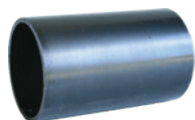
Steel for structural steel pipe is large an alternative to using wood, the iron rail, steel curtain, steel structure of the H & I format description (H, I Beam), as well as the concrete in structure such as foundation pile, scaffold, structural roof or roof batten and can be adapted to the steel roof structure. Because of the strength of steel pipes, durable lightweight easy to connect, less damaged during transport. This makes the construction quality. In the meantime, we can save time and money compared to the use of wood and concrete.

In addition, the use of steel also has advantages of steel categories. The iron curtain, steel guide, steel structure

of the image description or H I (H, I Beam) because steel is lightweight and has a symmetry which can contribute the weight to all directions. As a result, the structure is made from steel pipes and lower costs. Current use of formability is accepted and used by engineers in construction increased continuously especially for large structure that resembles the hollow or buildings, with most area, minimum number of pillar.

For example, the formability of use to a structure both in and abroad and from the Government and the private sector such as transport station, airport, office buildings including official residence, the building's dome shape such sport stadium, warehouse and vegetable garden, etc.

The shape and size of The Company's steel pipes



Round pipe

Nominal dimension
½ inch (15 mm.)
to 16 inches (400 mm.)



Square pipe

Side length 12 x 12 mm.
to 300 x 300 mm.



Rectangular pipe

Side length 19 x 38 mm.
to 200 x 400 mm.



Lip Channel Steel

Side length 60 x 30 x 10 mm.
to 200 x 75 x 25 mm.

The Maximum thickness of steel pipes that the Company is able to produce is at 12.70 mm. Moreover, steel pipes sized 10-16 inches produced under ERW system

(Electric Resistance - Welded Pipes) are currently considered as special size products in Thailand.

The type of steel manufacture

Our products can be categorized into 2 types, which are black steel pipes and galvanized steel pipes. There are 2 grades of both types, which are either ;

Standard grade The standard grade is labeled and sold under the brand “ ” (Pacific Pipe)

Which is certified quality by international standards that are commonly accepted with both domestic and overseas. The company's products have through the production process and ensure the product quality standards that define both of raw material, size, thickness, and other properties such as receiving pressure. Most standard grade is used for construction or the system which is necessary to use high quality products and is certified on both domestic and overseas for benefit of security mainly.

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

The production process of commercial grade is as same as producing standard grade but different in quality raw materials and does not pass test in the process as defined in various standards. Most commercial grade is used for general use such as general plumbing or banister and fence houses etc.

Moreover, to select the shape of steel pipes is depending on the needs of customers such as round pipes that looks beautiful and can bend the curve better than rectangular steel pipes so round pipes are popular to use as the building's dome shape or interior design. While rectangular steel pipes are sturdy and convenient to weld so rectangular steel pipes are suitable for the general structure and system for high buildings.

Domestic and International Certificates of Pacific Pipe Products

The Company's products are manufactured by reliable machines with modern technology and are inspected throughout the entire production process. The inspection is strictly controlled by our proficient technicians and skillful workers in order to assure that all the products meet the expected quality standard and are worth the

customers' confidence. The testing and/or calibration laboratory acquires ISO/IEC 17025 from Thai Industrial Standards Institute, Ministry of Industry. It guarantees that the Company's testing and/or calibration laboratory for the product quality testing is accurate and reliable. The Company also issues product quality warranty to every time when purchasing standard grade steel pipe.

The Company has quality standards from widely accepted domestic and international organizations as described below.

- > DIN EN ISO 9002 : 1994 from an institution of the TUV NORD CERT Certification Body of Rheinsch - Westfalischer TUV e.V, The Federal Republic of German
- > DIN EN ISO 9001 : 2000 from an institution of the TUV NORD CERT Certification Body of RWTUV Anlagentechnik GmbH, The Federal Republic of German.
- > DIN EN ISO 9001 : 2008 from an institution of the TUV NORD CERT GmbH, The Federal Republic of German.
- > Testing laboratory certification ISO/IEC 17025 from Thai Industrial Standards Institute, Ministry of Industry.
- > ISO 14001 : 2004 from an institution of the TUV NORD Thailand Ltd.

The Company is the first steel pipes manufacturer acquiring ISO 9001 : 2008 which is a standard for quality management system. This can be a guarantee of our quality of organization which serves customer's reliability and creates sustainable growth to the Company. By maintaining superior quality, the Company has acquired product quality standard certification from widely acceptable domestic and international organizations as described below.

- > Thai Industrial Standard Certification (TIS) from the Thai Industrial Standard Institute of the Ministry of Industry.
- > Productivity Standard : METALLIC SPRINKLER PIPE from an institute of Underwriters Laboratories Inc®, USA. In 2007.
- > Industry standard quality assurance (JIS) : Japan Industry Standard from Japan Quality Assurance Organization, Japan.
- > Standard certification FM Approvals Class : 1630 - Steel Pipe for Automatic Fire Sprinkler Systems from FM Global, USA.

In addition, the Company is the first steel pipes producer, whose product is awarded TIS of entire group of steel pipe from the Ministry of Industry. This enables the Company to stand firmly in the leading position of the standard grade steel pipe market in Thailand. Moreover, our reputation of offering premium product has been swelled to overseas markets. Presently Asia, Middle East and Australia regions

are our main export destinations. But the Company also plans to expand its coverage to all over the world. This will help not only mounting the revenue, but also creating opportunities to cooperate with clients in order to reap the technology advantages as well as new standards development.

Products and Services

At the present, the Company has 4 plants which have the total installed capacity of 450,000 tons per annum, 2 distribution centers and 1 sale office. The details are as follows;

Plant / Distribution	Location	Details	Area
1. Phra pradang plant	298, 298/2 Moo 1, Soi Klabchareon 3, Suksawad Road, Pakklongbangplakod, Prasamutjadee, Samutprakarn, Thailand 10290	Manufacturing steel pipe.	24 rais 1 ngan 69 sq.wa. 3 buildings
2. Mahachai plant (I)	1/112 Samutsakorn Industrial Park, Moo 2, Rama II Road, Amphoe Muang Samutsakorn, Samutsakorn	Galvanizing steel pipe.	8 rais 2 ngan 5 sq. wa. 1 buildings
3. Mahachai plant (II)	1/97 Samutsakorn Industrial Park, Moo 2, Rama II Road, Tambol Tasai, Amphoe Muang Samutsakorn, Samutsakorn	Manufacturing large-size steel pipe.	20 rais 3 ngan 98 sq.wa. 1 buildings
4. Mahachai plant (III)	24/31 Moo 2, Tambol Tasai, Amphoe Muang Samutsakorn, Samutsakorn	Manufacturing medium-size steel pipe.	44 rais 1 ngan. 3 buildings
5. Distribution Center at Bangna-Trad km.29	158 Moo 6 Tambol Bangbor, Amphoe Bangbor, Samutprakarn	Storage for sales.	22 rais 22 sq.wa. 2 buildings
6. Distribution Center at Lad lum Kaew	50/6 Moo2 Tambol Namai, Amphoe Lad Lum Kaew, Pratumthani	Storage for sales.	25 rais 2 ngan 31 sq.wa. 2 buildings
7. Sales Department at Lumpini	1168/74 26 th , Lumpini Tower, Rama IV Road, Bangkok, Thailand 10120	Sales office.	1,772.17 sq.m.

Production policy and production capability

The Company offers both made to order and finished products. Its placing order policy for domestic customers is as follows :

- 1) In case of the finished products, the Company will immediately deliver the products to customers once receiving their orders.
- 2) In case that there are raw materials available in inventory for manufacturing such products, the Company will deliver the product to customers within 20 days after receiving orders.
- 3) In case that there is no raw materials available in inventory for manufacturing such products, the Company will

deliver the product to domestic customers within 45 days after receiving orders.

- 4) For oversea customers, the Company will deliver the product within 60 - 75 days after receiving orders, depending on the order period of customers.

The management, production team and marketing team usually work closely to effectively plan for raw material and finished product inventories. This efficient management enables the Company to maintain its effectiveness in product delivery and to immediately and actively respond to changing demands, division work closely and have regular meetings with management to plan for raw materials procurement and manufacturing ready for sales products. Generally, when the production utilization

reaches to approximately 75%, the Company will consider an expansion in production capacity. The decision will be based on the analysis on steel pipe consumption trend and the company's directions and plans. In addition, in order to maintain machine conditions, the Company has scheduled to have every major machine check up once a week, each checking process takes 2-3 hours. The company's installed capabilities of black steel pipes and galvanized steel pipes are 400,000 tons per annum and 50,000 tons per annum, respectively.

In 2016, the actual production capabilities were approximately 333,634 tons for black steel pipes and 19,615 tons for galvanized steel pipes. The Company's major raw material of producing steel pipes is hot rolled coil, which accounts for approximately 98.22% of total raw materials purchased.

According to the Company's policy, which highly emphasizes on product quality and prompt delivery, raw materials quality and reliability of the suppliers are the most crucial factors when purchasing raw materials. The Company also regularly evaluates the suppliers' performance. Currently, the company ordered HRC, around 98.22% of the total raw material purchased, from 2 major domestic manufacturers: Sahaviriya Steel Industries Plc., G Steel PCL., and domestic retail traders.

Inventory Management Policy

The Company has the policy in the inventory management, both raw material and finished goods, in flexible manner. We manage our inventory based on the current economy situation. Our experienced management will closely monitor, analyze, and estimate the future demand in order to adjust the optimum quantity of inventory to be compatible with the market's demand.

Business Goals

The Company aims to secure the leading position in the domestic market through its high product quality, vast product variety and superior delivery. To achieve such objective, the Company has emphasized aggressively on the continuous development of product quality and the improvement of "Pacific Pipe" brand in order to be internationally recognized and accepted as a world class steel pipe manufacturer. In addition, the Company has increasingly focused on large steel pipes for contractions. Also, the Company is determined to expand its customer base to retail customers throughout the country by improving the distributing network through establishing more distribution centers in several strategic areas.

Risk Factor

The Company has a systematic risk management through the organization structure. The Risk Management Committee is responsible for risk management by monitoring and assessing significant risks and reporting the issue to the Board of Directors. In 2016, the Company has reviewed and assessed the risk factors and planned strategies to reduce the impact from the risks. Significant risks of the year 2016 are summarized as follows :

1. Risk from Material Price Fluctuation and Inventory

The Company's main raw material is hot-rolled coil which the price varies in relation to the world steel price. The risk from price fluctuation is significant since when the world steel price decrease dramatically, it may cause material impairment, or, when the material price increases, it will affect the sale price. Moreover, such risk is an external factor which is beyond the Company's control. However, the Company has planned the risk reduction strategies by :

- 1) Monitoring the global steel price with caution and purchasing material more carefully, and,
- 2) Maintaining the quantity of material and inventory in an appropriate level.

2. Risk from Exchange Rate

Since the Company imports some hot-rolled coil and machines, and exports the products to other countries, there is risk from exchange rate volatility. For risk reduction, the company conducts report to monitor the exchange rate volatility and its impact frequently, uses financial instrument such as forward and option, using Natural Hedge by purchasing raw material and selling the products in the same currency.

3. Risk from Natural Disaster and Other Emergencies

Being aware of the impact of risk from natural disasters such as flood and conflagration, the Company manages Business Continuous Planning (BCP) to prepare personnel,

equipment, information technology for natural disaster or emergencies, as well as a yearly practice to handle the natural disaster in time and have insurance policies covering the damage that might occur.

4. Risk from Major Shareholders

Holding 73.85% of the Company's share, Tang Mong Seng Holding Company Limited and its co-founder have almost full control over the resolution of the shareholder's meeting. Thus, other shareholders cannot collect the vote to verify and counterbalance issues proposed by the major shareholders, except for the issue, regulated by the law and the Company's principle, which requires 3 out of 4 votes from the shareholder's meeting.

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

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

6. Risk from Interest Rate Volatility

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

The Company's has less long-term liability with Minimum Loan Rate (MLR) compared with the Company's short-term liability. Most of the liability is short-term, used for purchasing raw material, which has stable interest rate. Thus, the risk is not considerably high.

7. Risk from Domestic and Foreign Economy

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

8. Risk from Domestic Political Instability

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

9. Risk from Commercial Credit

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

Connected Transaction

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

The Board of Director's meeting no. 7/2014 on 11th November 2014 passed the resolution to renew rental contract at Bangna - Trad for 11 years with the area of 22 Rai 22 square Wa, which is currently a distribution center. The landowners are Mr. Prayoon Lekapojpanich and Mr. Vichai Lekapojpanich. They are brothers. In order that the rental rate will be increase 10% every 3 years, the details are as follows;

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

The rental rate is considered by the Audit Committee and proposed to The Board of Director for approval. Regard to

this agenda, the directors who have the conflict of interests, constantly, temporarily left the meeting and their votes were recorded as abstentions. The rental rate calculating method is on page 21

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

Summary of Rental Land at Lad Lum Kaew

Parties Involved	Relationship	Rental period	Rental rate
Lessee Pacific Pipe PLC. (PAP)	> Mr. Prayoon Lekapojpanich, Director of BBA, is Mr. Somchai Lekapojpanich's older brother. > Mr. Vichai Lekapojpanich, Director of BBA, is Mr. Somchai Lekapojpanich's younger brother.	11 Years since 1 st Sep. 2014 - 31 st Aug. 2025	2,208,000 Baht
Lessor Bang Bo Asset Co., Ltd. (BBA)			

2. Rental Land of Distribution Center at Lad Lum Kaew

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

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

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

Summary of Rental Land at Lad Lum Kaew

Parties Involved	Relationship	Rental period	Rental rate
Lessee Pacific Pipe PLC. (PAP)	> Mr. Prayoon Lekapojpanich, Director of LLK is Mr. Somchai Lekapojpanich's older brother. > Mr. Vichai Lekapojpanich, Director of LLK is Mr. Somchai Lekapojpanich's younger brother.	13 Years since 1 st Jul. 2015 - 30 th Jun. 2028	2,550,000 Baht
Lessor Lat lum kao Asset Co., Ltd (LLK)			

Rental Rate Calculating Method

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

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

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

1168/68-69, 24th floor, Lumpini Tower Building, Rama 4 Road, Tungmahamek, Sathorn, Bangkok for the office as space of the unit address 1168/74, 26th floor, Lumpini Tower Building where Tamose rented from Pacific Pipe PCL since the office space is not sufficient for business expansion. Mr. Prayoon Lekapojpanich and Mr. Somchai Lekapojpanich were absent and abstain from voting in this agenda as the two are directors of Tang Mong Seng Holding Co., Ltd., which is the major shareholder of Pacific Pipe PCL. Both are then considered connected persons and persons with vested interest as prescribed by the Stock Exchange of Thailand.

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

The Board of Director meeting no. 5/2016 on 11th August 2016 passed the resolution regarding a renewal of rental contract of office space (3rd renewal) at 1168/68-69 24th floor at Lumpini Tower, Rama 4 Road, Tungmahamek, Sathorn, Bangkok. The period of contract is 3 years which is retroactive effective on 1st August 2016 to 31st July 2019 with rental rate of 520 Baht per square meter per month. Regard to this agenda, Mr. Somchai Lekapojpanich was absent and abstains from voting as he was a connected person and a person with vested interest.

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

At the meeting of the Company's Board of Directors No.6/2007 on 20th June 2007, it resolved Tamose Trading Co., Ltd ("Tamose") to lease condominium units address

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

Parties Involved	Relationship	Rental period	Rental rate
Lessor Tamose Trading Company Limited (TMS)	> TMS is a subsidiary of PAP > Tang Mong Seng Holding Company Limited holds 39.05% of PAP's paid-up capital.	3 years since 1 st Aug. 2016 - 31 st Jul. 2019	3,642,550 Baht
Lessor Tang Mong Seng Holding Company Limited. (MH)	> T Mr. Somchai Lekapojpanich is a director of PAP, MH and TMS.		

4. Borrowing between Pacific Pipe Public Company Limited and Tang Mong Seng Holding Co., Ltd.

The meeting of the Board of Directors No.4/2013 on 25th June 2013 approved the borrowing money in the total of 100 Million Baht from Tang Mong Seng Holding Co., Ltd. "MH" which is PAP's major shareholder, with 5 year term starting from 2nd July 2013 to 1st July 2018. By interest rate of MLR - 1.5% (MLR rate of Kasikorn Bank Public Company Limited), the interest rate of MLR was 7%, which is fair at arm's length and appropriate to both parties.

The payment conditions are to pay in cash, to pay the interest monthly and to pay the principle when maturity of the loan agreement is due.

In 2016, the contract addendum regarding a changing in interest rate was made. The new interest rate was MLR rate of Thai Military Bank Public Company Limited (7.025%) at -2.4%.

PAP has paid principle of loan to MH in the whole amount of 100,000,000 baht in 2016.

Summary of Borrowing between Pacific Pipe Public Company Limited and Tang Mong Seng Holding Co., Ltd.

Parties Involved	Relationship	End Date of Contract	Paid-up Interest rate
Borrower Pacific Pipe Public Company Limited (PAP)	> Tang Mong Seng Holding Company Limited holds 39.05% share of PAP's paid-up capital. > Mr. Somchai Lekapojpanich is a director of PAP and MH.	1 st Jul. 2018	4,316,298.18 Baht (As of 31/12/2016)
Lender Tang Mong Seng Holding Company Limited. (MH)			

5. Termination of Bang Khun Thian Land Lease

The Board of Director's meeting of Pacific Pipe Public Company Limited ("the Company") no. 4/2010 held on August 10th, 2010 passed the resolution regarding an empty land rental contract at Bang Khun Thian area, Soi Tientalay 30 Bang Khun Thian - Chaitalay Road from Mr. Somchai Lekapojpanich who was a land owner (the current landowner is Bang Khun Thian Asset Company Limited in which Mr. Somchai Lekapojpanich is the major shareholder.) The rental period is 3 years, from June 1st, 2010 to May 31st, 2013. The purpose of the rental is to construct a warehouse as a support for the increasing productivity at the time. After entering the rental contract, the Company had invested on partial land reclamation, barrage and piling to prepare for construction in the amount of 20,539,598 baht.

In 2011, the Board of Director's meeting no. 3/2011 held on March 2nd, 2011 passed the resolution to postpone

Bang Khun Thian warehouse construction due to the tendency of rising construction material price resulting in higher construction cost. The negotiation to omit the rental fee until the construction was carried out was made with and agreed by the landowner. After the lease had ended, the Company renewed the annual land rental contract continually until 2016.

The Board of Director's meeting no. 6/2016 held on November 11th, 2016 considered that since Mahachai Plant 3 (PM3), a property located on the land owned by the Company, could adequately support the Company growth, the additional investment on Bang Khun Thian warehouse construction locating on other's land was no longer necessary and resolved on the termination of land rental contract with Bang Khun Thian Asset Company Limited and entitled the Management to negotiate with the landowner over the termination. Agreed by the landowner, the effective date of the land contract termination was December 16th, 2016

Summary of Bang Khun Thian Land Lease Termination

Parties Involved	Relationship	Date of Transaction	Transaction Value
Lessee Pacific Pipe Public Company Limited (PAP)	> Mr. Prayoon Lekapojpanich, Director of BKT, is Mr. Somchai Lekapojpanich's older brother. > Mr. Vichai Lekapojpanich, Director of BKT, Mr. Somchai Lekapojpanich's younger brother.	16 th Dec. 2016	Cost of Bang Khun Thian warehouse investment from 2010 - 2011 worth 20,539,598.04 baht
Lessor Bang Khun Thian Asset Company Limited (BKT)			

Potentials or policies of future connected transactions

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

1. Normal business transaction

Normal business transaction includes selling and purchasing transaction which occurs in continuous basis. Therefore, the company has established guidelines and procedures for such transactions, for instance, using fair and verifiable market price or price as a benchmark. These guidelines were proposed and approved by the Company's Audit Committee. Moreover, the Audit Committee also conducts quarterly reviews to ensure that the Company conforms to the guideline and that the transactions occur reasonably.

2. Extraordinary and occasionally transaction

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

Directors and Management Team



Pol. Gen. Wichean Potephosree

Independent Director /

Chairman

(as at December 31st, 2016)

Age 63 years

Appointed Date :

[1st] January 1st, 2009 to August 11st, 2010

[2nd] May 14th, 2013 to December 31st, 2016

Family Relationship among Management : - None - Education

- Master of Public Administration, National Institute of Development Administration (Nida)
- Master of Business Administration, Kasetsart University
- Master of Arts (Economic Law), Chulalongkorn University

Training from Thai Institute of Directors Association (IOD)

- 2015 Director Certification Program Updated (DCPU 3/2015)
- 2014 Advanced Audit Committee Program (AACP 17/2014)
- 2014 Financial Statements for Directors (FSD 23/2014)
- 2014 Role of the Chairman (RCP 33/2014)
- 2004 Audit Committee Program (ACP 2/2004)
- 2004 Director Certification, Program (DCP 46/2004)

Work Experience in the past 5 years

- 2016 - Present Chairman of Aircraft Accident Investigation Committee of Thailand
- 2016 - Present Chairman of Ethics Committee, Office of the Permanent Secretary
- 2014 - Present Chief Adviser, C.P. Land Public Company Limited
- 2013 Director, Thai Airway International Public Company Limited
- 2012 - 2013 Permanent Secretary, Ministry of Transport
- 2011 - 2013 Chairman, Expressway Authority of Thailand
- 2011 - 2012 Secretary, Office of The national Security Council
- 2010 - 2011 Commissioner General

Current Director Position in Other Organization

In listed companies :

- 2014 - Present Independent Director, Vanachai Group Public Company Limited
- 2014 - Present Independent Director, Asian Insulators Public Company Limited

In non-listed companies :

- 2015 - Present Independent Director, Kingsmen C.M.T.I. Company Limited

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

Criminal offence record during the past 10 years

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



Mr. Somchai Lekapojpanich

Chairman

(appointed as of January 17th, 2017) /

Chief Executive Officer

Age 57 years

Appointed Date :

March 17th, 2004

Family Relationship among Management : - None -

Education

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

Training from Thai Institute of Directors Association (IOD)

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

2004 Director Accreditation Program (DAP 13/2004)

Work Experience in the past 5 years

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

Current Director Position in Other Organization

In listed companies : - None -

In non-listed companies :

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

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

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

Criminal offence record during the past 10 years

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



Dr. Vicharn Aramvareekul

Independent Director /

Chairman of Audit Committee

Age 68 years

Appointed Date :

April 24th, 2014

Family Relationship among Management : - None -

Education

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

Training from Thai Institute of Directors Association (IOD)

- 2014 Role of Compensation Committee (RCC 19/2014)
- 2013 The Director Diploma Award (Director Diploma Examination No.37/2013)
- 2013 Director Certification Program (DCP 107/2013)

Work Experience in the past 5 years

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

Current Director Position in Other Organization

In listed companies :

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

In non-listed companies : - None -

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

Criminal offence record during the past 10 years

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



Dr. Chaoyong Satjipanon

Independent Director /

**Chairman of Risk Management
Committee**

Age 63 years

Appointed Date :

July 21st, 2014

Family Relationship among Management : - None -

Education

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

Training from Thai Institute of Directors Association (IOD)

- 2015 Director Certification Program (DCP 212/2015)
- 2015 Risk Management Program (RMP 6/2015)
- 2014 Director Accreditation Program (DAP 112/2014)

Work Experience in the past 5 years

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

Current Director Position in Other Organization

In listed companies :

- 2015 - Present Independent Director, G Capital Public Company Limited
- 2015 - Present Independent Director, Bliss-Tel Public Company Limited
- 2014 - Present Independent Director, Sino-Thai Engineering and Construction Public Company Limited

In non-listed companies :

- 2014 - Present Director, General Outsourcing Company Limited

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

Criminal offence record during the past 10 years

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



Mr. Kriengkrai Rukkulchon

Director /

**Chairman of Remuneration Nomination
and Corporate Committee**

Age 59 years

Appointed Date :

April 20th, 2007

Family Relationship among Management : - None -

Education

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

Training from Thai Institute of Directors Association (IOD)

2007 Director Accreditation Program (DAP 66/2007)

Work Experience in the past 5 years

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

Current Director Position in Other Organization

In listed companies : - None -

In non-listed companies : - None -

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

Criminal offence record during the past 10 years

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



Ms. Piyanus Chaikajornwat

Independent Director /

**Director of Audit Committee /
Director of Remuneration Nomination
and Corporation Committee**

Age 41 years

Appointed Date :

June 12nd, 2008

Family Relationship among Management : - None -

Education

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

Training from Thai Institute of Directors Association (IOD)

2009 Director Accreditation Program (DAP 77/2009)

Work Experience in the past 5 years

- | | |
|-----------------|--|
| 2012 - May 2014 | Chairman of Risk management Committee, Pacific Pipe Public Company Limited |
| 2006 - Present | Import & Export Manager, Victory Industrial Company Limited |
| 2006 - 2015 | Director, Clover Enterprises Company Limited |

Current Director Position in Other Organization

In listed companies : - None -

In non-listed companies : - None -

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

Criminal offence record during the past 10 years

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



Mrs. Udomwara Dechsongjarus

Independent Director /

Director of Audit Committee

Age 61 years

Appointed Date :

July 7th, 2016

Family Relationship among Management : - None -

Education

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

Training from Thai Institute of Directors Association (IOD)

2017 Director Accreditation Program (DAP 133/2017)

Work Experience in the past 5 years

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

Current Director Position in Other Organization

In listed companies : - None -

In non-listed companies :

2016 - Present Director, Napassaree Dermagic Company Limited

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

Criminal offence record during the past 10 years

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



Ms. Viriya Ampornapakul

Executive Director /

Director of Risk Management

Committee /

Director of Remuneration Nomination and Corporate Committee /

Managing Director /

Company Secretary

Age 55 years

Appointed Date :

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

[2nd] January 20th, 2009

Family Relationship among Management : - None -

Education

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

Training from Thai Institute of Directors Association (IOD)

2004 Director Accreditation Program (DAP 13/2004)

2004 Director Certification Program (DCP 48/2004)

Work Experience in the past 5 years

2004 - 2008 Financial Director, Pacific Public Company Limited

Current Director Position in Other Organization

In listed companies : - None -

In non-listed companies :

- 2006 - Present Director, Meesup Transport Company Limited (Subsidiary)
- 1999 - Present Director, Tamose Trading Company Limited (Subsidiary)

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

Criminal offence record during the past 10 years

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



Ms. Thitima Vattanasakdakul

Executive Director /

Director of Risk Management Committee /

Chief Operating Officer

Age 36 years

Appointed Date :

April 23rd, 2011

Family Relationship among Management : - None -

Education

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

Training from Thai Institute of Directors Association (IOD)

2013 Director Certificate Program (DCP 177/2013)

Work Experience in the past 5 years

2010 - 2013 Production Director, Pacific Pipe Public Company Limited

Current Director Position in Other Organization

In listed companies : - None -

In non-listed companies :

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

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

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

Criminal offence record during the past 10 years

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

Appointed Date :

[1st] April 19th, 2008 to January 20th, 2009

[2nd] April 23rd, 2010 to July 17th, 2014

[3rd] April 23rd, 2015

Family Relationship among Management : - None -

Education

- Master of Management (With President Award for Academic Excellence), Assumption University
- Bachelor of Art (French), Remkamhaeng University

Training from Thai Institute of Directors Association (IOD)

2008 Director Accreditation Program (DAP 72/2008)

Work Experience in the past 5 years

2010 - 2014 Director, Pacific Pipe Public Company Limited

2010 - 2012 Director, The Federation of Thai Industrial.

2002 - Present Treasurer of Thai Iron and Steel Industry Club, The Federation of Thai Industries.

Current Director Position in Other Organization

In listed companies : - None -

In non-listed companies :

2004 - Present Director, Tamose Trading Company Limited (Subsidiary)

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

Criminal offence record during the past 10 years

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



Ms. Sunisa Kwanbunbumphen

Executive Director

Age 60 years



Mr. Nantawat Sathirachaiyawit

Engineering Director

Age 58 years

Family Relationship among Management : - None -
Education

- Master of Business Administration, Siam University
- Bachelor of Industrial Engineer, Rajamangala University of Technology

Work Experience in the past 5 years

2010 - 2013 Director, Pacific Pipe Public Company Limited

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



Mrs. Phathra Chanyavilas

Marketing Director

Age 53 years

Family Relationship among Management : - None -
Education

- Master of Business Administration, Chulalongkorn University

Work Experience in the past 5 years

2008 Business Director, Organon (Thailand) Company Limited



Mr. Pert Leevilaikulrat

Assistant Director

Age 38 years

Family Relationship among Management : - None -
Education

- Master of Business Administration, Thammasat University
- Bachelor of Accounting, Chulalongkorn University
- CPA (Thailand) Federation of Accounting Professions

Work Experience in the past 5 years

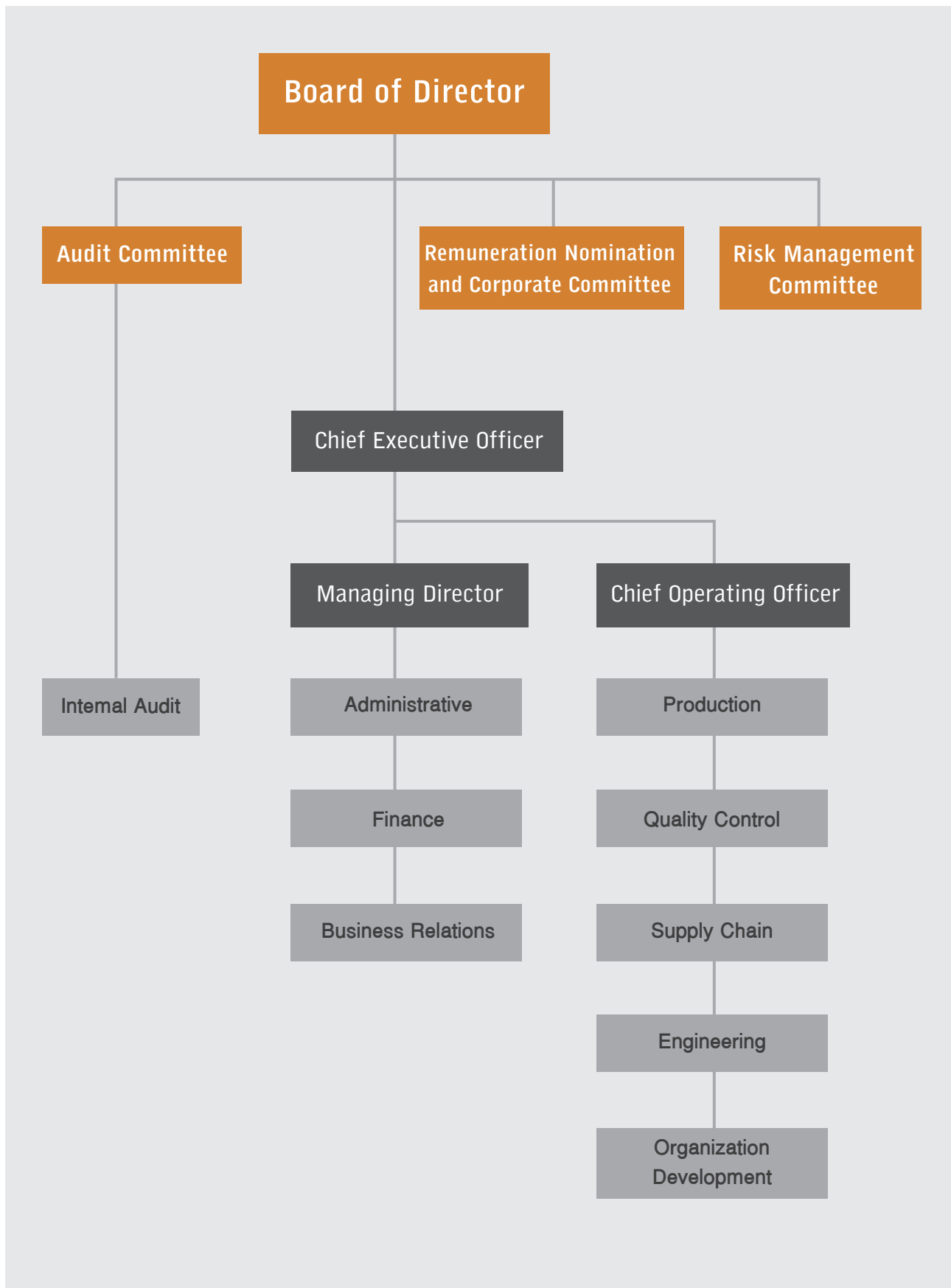
2008 - 2010 Accounting Manager, Pacific Pipe Public Company Limited

Shareholdings of Directors and Management Team (as at December 31st, 2016)

Name		as at December 31 st , 2015		Increase (decrease) during financial year	as at December 31 st , 2016		Percentage of shares held (%)
		Held personally	Held by spouses and minor children		Held personally	Held by spouses and minor children	
1. Pol. Gen. Wichean Potephosree		-	-	-	-	-	-
2. Mr. Somchai Lekapojpanich		10,187,500	17,812,500	-	10,187,500	17,812,500	4.24
3. Dr. Vicharn Aramvareekul		-	-	-	-	-	-
4. Dr. Chaiyong Satjipanon		-	-	-	-	-	-
5. Mr. Kriengkrai Rukkulchon		-	-	1,500,000	1,500,000	-	0.23
6. Ms. Piyanus Chaikajornwat		-	-	-	-	-	-
7. Mrs. Udomawara Dechsongjarus		-	-	-	-	-	-
8. Ms. Viriya Ampornapakul		3,400,000	-	-	3,400,000	-	0.52
9. Ms. Thitima Vattanasakdakul		-	-	-	-	-	-
10. Ms. Sunisa Kwanbunbumpen		3,250,000	-	6,500	3,256,500	-	0.49
11. Mr. Nantawat Sathirachaiyawit		4,851,100	-	100,000	4,951,100	-	0.75
12. Mrs. Phathra Chanyavilas		55,200	-	(54,600)	600	-	0.0001
13. Mr. Pert Leevilaikulrat		-	-	-	-	-	-

Note : Pacific Pipe Public Company Limited has a registered capital of 660,000,000 Baht and paid-up capital of 660,000,000 Baht (660,000,000 shares).

Organization Chart



Shareholding and Management Structure

Shareholder

List of Major shareholders as of December 30th, 2016

Name of shareholders	No. of Share (share)	Percentage
1. Tang Mong Seng Holding Company Limited ^{/1}	257,762,500	39.05
Lekapojpanich Group ^{/2}	229,650,000	34.80
2. Ms. Siree Koowuttayakorn	25,500,000	3.86
3. Thai NVDR Company Limited	9,097,100	1.38
4. Dr. Prasan Kemakongkanon	7,500,000	1.14
5. Mr. Nantawat Sathirachaiyawit	4,951,100	0.75
6. Mr. Chuvit Jittarasakul	3,452,000	0.52
7. Ms. Viriya Ampornnapakul	3,400,000	0.52
8. Mr. Peter Eric Dennis	3,310,600	0.50
9. Ms. Sunisa Kwanbunbumphen	3,256,500	0.49
10. Mrs. Sirichan Eiansherangkul	3,000,000	0.45
Total	550,879,800	83.47

Note : ^{/1} There are 14 shareholders in Tang Mong Seng Holding Company Limited , the details are on the Table1.

^{/2} The details of the shareholding of The Lekapojpanich group are on the Table2.

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

Name of shareholders	No. of Share (share)	Percentage
1. Mr. Supanut Lekapojpanich	25,000,000	3.79
2. Ms. Nattaporn Lekapojpanich	25,000,000	3.79
3. Ms. Nalin Lekapojpanich	24,250,000	3.67
4. Mr. Kanin Lekapojpanich	24,250,000	3.67
5. Mrs. Sukanya Lekapojpanich	17,912,500	2.71
6. Mrs. Sasidhon Lekapojpanich	17,812,500	2.70
7. Mrs. Sumalee Lekapojpanich	17,812,500	2.70
8. Ms. Wareeya Lekapojpanich	15,000,000	2.27
9. Ms. Wanalee Lekapojpanich	15,000,000	2.27
10. Ms. Waranya Lekapojpanich	15,000,000	2.27
11. Mr. Prayoon Lekapojpanich	13,687,500	2.07
12. Mr. Somchai Lekapojpanich	10,187,500	1.54
13. Mr. Vichai Lekapojpanich	8,737,500	1.32
14. Mrs. Pranee Koowuttayakorn	-	0.00
Total	229,650,000	34.80

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

Name of shareholders	No. of Share (share)	Percentage
1. Mr. Supanut Lekapojpanich	25,000,000	3.79
2. Ms. Nattaporn Lekapojpanich	25,000,000	3.79
3. Ms. Nalin Lekapojpanich	24,250,000	3.67
4. Mr. Kanin Lekapojpanich	24,250,000	3.67
5. Mrs. Sukanya Lekapojpanich	17,912,500	2.71
6. Mrs. Sasidhon Lekapojpanich	17,812,500	2.70
7. Mrs. Sumalee Lekapojpanich	17,812,500	2.70
8. Ms. Wareeya Lekapojpanich	15,000,000	2.27
9. Ms. Wanalee Lekapojpanich	15,000,000	2.27
10. Ms. Waranya Lekapojpanich	15,000,000	2.27
11. Mr. Prayoon Lekapojpanich	13,687,500	2.07
12. Mr. Somchai Lekapojpanich	10,187,500	1.54
13. Mr. Vichai Lekapojpanich	8,737,500	1.32
Total	229,650,000	34.80

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

Dividend Payment Policy and Dividend Payment

The Company has determined to create sustainable economic growth and enhance the competitiveness to increase the value to the shareholders in the long term. The Company has a policy to pay the shareholders the dividend at the rate of no less than 40 per cent of the net profit after withholding reserves according to the law. Nonetheless, such dividend payment can be changed,

depending on the Company's performance, financial status and investment plan.

In 2016, the Company omitted the payment of dividend to Shareholders according to the resolution of the Annual General Meeting of shareholders dated on April 20th, 2016 due to net loss of 76.48 million baht on separate financial statement of the year 2015

The Company Director Structure

Pacific Pipe Public Company Limited consists of 4 committees which are

1. The Board of Director
2. The Audit Committee
3. The Remuneration Nomination and Corporate Committee
4. The Risk Management Committee

1. The Board of Director

The board of director consists of 10 directors divided into 5 independent directors, 1 director and 4 executive directors, namely;

- | | | |
|-----|------------------------------|--|
| 1. | Pol.Gen.Wichean Potephosree | Independent Director and Chairman |
| 2. | Mr. Somchai Lekapojpanich | Vice Chairman |
| 3. | Dr. Vicharn Aramvareekul | Independent Director and Chairman of Audit Committee |
| 4. | Dr. Chaoyong Satjipanon | Independent Director and Chairman of Risk Management Committee |
| 5. | Mr. Kriengkrai Rukkulchon | Director and Chairman of Remuneration Nomination and Corporate Committee |
| 6. | Ms. Piyanus Chaikajornwat | Independent Director, Director of Audit Committee and Director of Remuneration Nomination and Corporate Committee |
| 7. | Mrs. Udomwara Dechsongjarus | Independent Director and Director of Audit Committee |
| 8. | Ms. Viriya Ampornnapakul | Executive Director, Director of Risk Management Committee, Director of Remuneration Nomination and Corporation Committee and Company Secretary |
| 9. | Ms. Thitima Vattanasakdakkul | Executive Director and Director of Risk Management Committee |
| 10. | Ms. Sunisa Kwanbunbumphen | Executive Director |

Note : Director No. 2, 8, 9 and 10 are authorized directors which is required to jointly sign and affix the Company's seal.

Scope of Duties and Responsibilities of the Board of Directors

The board of directors shall perform their duties in good faith in accordance with the laws, objectives, and articles of Association and resolution of the shareholders' meeting of the Company except in particular matter that the resolution of the shareholders' meeting is required, for instance,

entering into a connected transaction, acquisition or sale of major assets under the SET regulations or regulations of other government agencies. The details of roles and duties of the Board of Directors are shown in Corporate Governance Policy which is on page 46.

The Company Secretary

The board of director appointed Ms. Viriya Ampornnapakul as the main responsibilities of a Company Secretary to support the work of the Board of director in the relevant with rules and regulations. Profile and details of the Company Secretary is described on page 29. Specific responsibilities of the Company Secretary are described as follows ;

1. Provide basic advice on law and the Company's regulation that the Board of Directors needs to acknowledge, ensure that the Board complies with the regulation precisely and regulary.
2. Arrange the meeting of shareholders and the Board of Directors, in accordance with the law, the company's regulations and other best practices.
3. Provide the minute of shareholders meeting and the Board of Directors' meeting and ensure that the resolution from the Annual General Meeting of shareholders and at the meeting of the Board of Directors is practiced.
4. Provide the Annual Reports of the Company, notice of the shareholders' meeting and the Board of Directors meeting and the minute of meeting.
5. Responsible to disclose the Company information and report, in accordance with the relevant laws and regulations.
6. Contact, communicate and inform the shareholders about their rights.

2. The Audit Committee

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

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

The Audit Committees respectively at number 1 and 3 have experience that can serve to review the reliability of financial statements. The details of duties and responsibilities of the Audit Committee are described in Good Corporate Governance which is on page 47. The audit committee appointed Mr. Naritchai Bhurepongsonond as the secretary of the Audit Committee.

3. The Remuneration Nomination and Corporate Committee

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

- | | | | |
|----|----------------|---------------|---|
| 1. | Mr. Kriengkrai | Rukkulchon | Chairman of Remuneration Nomination and Corporate Committee |
| 2. | Ms. Piyanus | Chaikajornwat | Remuneration Nomination and Corporate Committee Director |
| 3. | Ms. Viriya | Ampornnapakul | Remuneration Nomination and Corporate Committee Director |

The details of duties and responsibilities of the Remuneration Nomination and Corporate Committee are shown in Good Corporate Governance which is on page 48. The Remuneration Nomination and corporate committee appointed Ms. Nantana Lakkham as a secretary of the Remuneration Nomination and Corporate Committee.

4. The Risk Management Committee

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

- | | | | |
|----|--------------|-----------------|---------------------------------------|
| 1. | Dr. Chaoyong | Satjipanon | Chairman of Risk Management Committee |
| 2. | Ms. Viriya | Ampornnapakul | Risk Management Committee Director |
| 3. | Ms. Thitima | Vattanasakdakul | Risk Management Committee Director |

The details of duties and responsibilities of the Risk management Committee are described in Good Corporate Governance which is on page 48. The Risk Management Committee appointed Ms. Napaporn Pornanuwong as the secretary of the Risk Management Committee.

The meeting attendance of Directors

The Meeting attendance of the directors in 2016 are as below :

		Attendance / Total of Meeting				
Director		Board of Director (7 times)	Audit Committee (8 times)	Remuneration Nomination and Corporate Committee (5 times)	Risk Management Committee (4 times)	Meeting of Shareholders (1 times)
1. Pol. Gen. Wichean	Potephosree	7/7	-	-	-	1/1
2. Mr. Somchai	Lekapojpanich	7/7	-	-	-	1/1
3. Dr. Vicharn	Aramvareekul	7/7	8/8	-	-	1/1
4. Dr. Chaiyong	Satjipanon	7/7	-	-	4/4	1/1
5. Mr. Kriengkrai	Rukkulchon	7/7	-	5/5	-	1/1
6. Ms. Piyanus	Chaikajornwat	6/7	7/8	1/1	-	1/1
7. Mrs. Udomawara	Dechsongjarus	3/3	3/3	-	-	-
8. Ms. Viriya	Ampornapakul	7/7	-	2/2	4/4	1/1
9. Ms. Thitima	Vattanasakdakul	7/7	-	-	4/4	1/1
10. Ms. Sunisa	Kwanbunbumphen	7/7	-	-	-	1/1
11. Mr. Somchai	Chanrod	2/2	-	-	-	-
12. Dr. Somchai	Harnhiran	2/3	2/3	3/3	-	1/1
13. Mr. Charin	Hansuebsai	3/3	-	2/2	-	1/1

Note : 1. The Company arranged the Annual General Meeting 2016 on April 20th, 2016

2. Mr. Charin Hansuebsai resigned from his position as Director of Remuneration Nomination and Corporate Committee and Independent Director on May 9th, 2016 and June 3rd, 2016, respectively.

3. Dr. Somchai Harnhiran resigned from his position as Chairman of Remuneration Nomination and Corporate Committee, Director of Audit Committee and Independent Director on May 26th, 2016.

4. Ms. Viriya Ampornapakul was proposed as Director of Remuneration Nomination and Corporate Committee (replacement for Mr. Charin) on May 12nd, 2016

5. Mrs. Udomwara Dechsongjarus was proposed as Independent Director and Director of Audit Management Committee (replacement for Dr. Somchai) on July 7th, 2016 and August 11st, 2016, respectively

6. Mr. Somchai Chanrod was proposed as Independent Director (replacement for Mr. Charin) on July 7th, 2016.

7. Ms. Piyanus Chaikajornwat was proposed as Director of Remuneration Nomination and Corporate Committee (replacement for Dr. Somchai) on July 7th, 2016

8. Mr. Somchai Charod resigned from his position as Independent Director on December 1st, 2016.

The Nomination of directors and Executives

1. The Nomination of Independent Director

Qualification of the Independent Directors

An Independent Director is qualified and independent person according to the definition established by the Stock Exchange of Thailand, which are as follows :

1. Holding not more than 1 percent of paid-up shares of the Company, affiliated company, associated company or any juristic person who may have a conflict of interest. These include shares held by individuals associated with it.
2. Not participate in business, not being an employee, staff member of advisor who receives a regular salary from the Company or controlling person of the Company, affiliated company, associated company or any juristic person who may have a conflict of interest for at least

2 years before the date of filing the request is allowed by Securities and Exchange Commission Thailand.

3. No business relation, no benefit or conflict of interest whether directly or indirectly both in finance and business management of the Company, affiliated company, associated company or any person who has conflict of interest in a way that will cause loss of independence such as purchasing or selling raw material / products / service / lending and loan amount.
4. Not being blood-related or having legal registered relationship, in the way of fatherhood, motherhood, spouse, brother, sister, son or daughter, including spouse of son or daughter, with executives, major shareholder, controlling person or person who are about to be nominated an executives or controlling person of the Company or its subsidiary.

5. Be a director who is not appointed as a representative to safeguard interest of the Company's directors, majority shareholders or shareholders who are related to the Company's majority shareholders. In addition, an independent director must be able to give optional report work performance as required by his duties, free from any personal interest, the influence of any person or group of person or any circumstance which pressure may be exerted and make an independent opinion impossible.
6. Not being or used to be auditor for the Company, affiliated company, associated company or any juristic person who may have a conflict of interest. Also, not being a major shareholder, non-independent director, management or being part of manager of audit firm which has the auditor of the Company, affiliated company, associated company or any juristic person who may have a conflict of interest unless at least 2 year before the date of filing the request is allowed by Securities Exchange ComMs.ion Thailand.
7. Not being or used to be a consultant, including legal consultant or financial consultant who earns consultant fee for more than 2 million Baht per annum for the Company, affiliated company, associated company or any juristic person who may have a conflict of interest. In case of the Consultant operates under juristic person, the Independent director shall not be the major shareholder, non-independent director, Management or being a part of any juristic person who may have a conflict of interest for at least 2 years before the date of filing the request is allowed by Securities Exchange Commission Thailand.

The Nomination of Independent Director process

The Remuneration Nomination and Corporate Committee will serve to select qualified person in accordance with the requirements of the The Securities and Exchange ComMs.ion (SEC) and the Stock Exchange of Thailand (SET). The qualified person must be a person who has knowledge, abilities, and appropriate experience related and beneficial to the Company's business with good ethics. The Remuneration Nomination and Corporate Committee will monitor if the performance of the person in other companies complies with the corporate governance policies of the company in order to nominate and propose the person to the Board of Directors and the shareholders' meeting. Moreover the nominated person must be able to devote time to attend the meeting on a regular basis and have courage to comment on the meeting.

2. The Nomination of directors

Remuneration Nomination and Corporate Committee will

select individuals suitable for nomination both of knowledge and work experience which relates and benefits the Company's business. Then, propose their names to a meeting of the Board of Directors and/or a shareholders' meeting for consideration as the case maybe. The qualified person must dedicate enough time for regularly meeting; have good background of work in the past and good ethic. Moreover the Company also considers the number of director position in other companies of each nominee since it may affect director's duties when the nominee acts as company director.

3. The Nomination of Executives

Executive will consider and appoint a person who have knowledge, abilities and appropriate experienced. In addition, the Company prepares the successor plan for personnel who have good knowledge, abilities and ethic acts as the Company's management in the future.

Rights of Minor Shareholders in the Appointment of Company Directors

1. A shareholder shall have voting rights equal to the number of shares held.
2. Shareholders vote to appoint individual director.
3. Those who receive the most votes are considered to be elected as directors, in the order of most votes received to least, up to the number of directors to be elected at that time. If two or more candidates receive the same number of votes for the position available, the Chairman of the meeting shall make the decision on which candidate is to be chosen.

Management Team

As of December 31st, 2015, the management team comprises of 7 persons as follows :

- | | | |
|----|-------------------------------|-------------------------|
| 1. | Mr. Somchai Lekapojpanich | Chief Executive Officer |
| 2. | Ms. Viriya Ampornapakul | Managing Director |
| 3. | Ms. Thitima Vattanasakdakul | Chief Operating Officer |
| 4. | Ms. Sunisa Kwanbunbunphen | Executive Director |
| 5. | Mr. Nantawat Sathirachaiyawit | Engineering Director |
| 6. | Mrs. Phathra Chanyavilas | Marketing Director |
| 7. | Mr. Pert Leevilaikulrat | Assistance of Director |

Remuneration for Directors and Executives

1. Remuneration

Remuneration for Board of Directors : For fiscal year ended December 31st, 2016 the Company paid the meeting allowance and gratuity to independent directors while the executive directors was paid only gratuity.

Tabel Remuneration (Compensation)

Director		Compensation (Baht)				Total
		Board of Director	Audit Committee	Remuneration Nomination and Corporate Committee	Risk Management Committee	
1. Pol. Gen. Wichean Potephosree ^{/1}		620,000	-	-	-	620,000
2. Mr. Somchai Lekapojpanich ^{/4}		360,000	-	-	-	360,000
3. Dr.Vicharn Aramvareekul ^{/2}		380,000	260,000	-	-	640,000
4. Dr.Chaiyong Satjipanon ^{/2}		380,000	-	-	220,000	600,000
5. Mr. Kriengkrai Rukkulchon ^{/3}		380,000	-	177,500	-	557,500
6. Ms. Piyanus Chaikajornwat ^{/2}		360,000	160,000	55,000	-	575,000
7. Mrs. Udomawara Dechsongjarus ^{/2}		180,000	67,500	-	-	247,500
8. Ms. Viriya Ampornapakul ^{/4}		240,000	-	60,000	90,000	390,000
9. Ms. Thitima Vattanasakdakul ^{/4}		240,000	-	-	90,000	330,000
10. Ms. Sunisa Kwanbunbumphen ^{/4}		240,000	-	-	-	240,000
11. Mr. Somchai Chanrod		140,000	-	-	-	140,000
12. Dr. Somchai Harnhiran		140,000	57,500	105,000	-	302,500
13. Mr. Charin Hansuebsai		160,000	-	50,000	-	210,000
Total		3,820,000	545,000	447,500	400,000	5,212,500

Note : ^{/1} Chairman | ^{/2} Independent Director | ^{/3} Director | ^{/4} Executive Director

- Mr. Charin Hansuebsai resigned from his position as Director of Remuneration Nomination and Corporate Committee and Independent Director on May 9th, 2016 and June 3rd, 2016, respectively.
- Dr. Somchai Harnhiran resigned from his position as Chairman of Remuneration Nomination and Corporate Committee, Director of Audit Committee and Independent Director on May 26th, 2016.
- Ms. Viriya Ampornapakul was proposed as Director of Remuneration Nomination and Corporate committee (replacement for Mr. Charin) on May 12nd, 2016
- Mrs. Udomwara Dechsongjarus was proposed as Independent Director and Director of Audit Committee (replacement for Dr. Somchai) on July 7th, 2016 and August 11st, 2016, respectively.
- Mr. Somchai Chanrod was proposed as Independent Director (replacement for Mr. Charin) on July 7th, 2016.
- Ms. Piyanus Chaikajornwat was proposed as Director of Remuneration Nomination and Corporate Committee (replacement for Dr. Somchai) on July 7th, 2016
- Mr. Somchai Charod resigned from his position as Independent Director on December 1st, 2016.

Remuneration for Executives : In 2016, the Company paid the remuneration to 7 executives in the total of 29,714,430.40 Baht which divided into salary and bonus, excluding meeting attendance fee.

2. Other remuneration

Other remuneration for Board of Directors :

- Medical limits.
- The gratuity of independent directors that the

term of director expired by rotation according to the Company's corporate governance policy.

Other remuneration for Executives : The company has provident fund for executives and the Company pay in the 5% rate of salary. In year 2016, the total of provident fund that the Company paid for executives is 1,066,980 Baht.

Employee

As of December 31st, 2016 number of employees in the company's main line is as follows. (excluding Executives)

Position	Quantity
1. Supply Chain	70
2. Marketing	39
3. Administrative	147
4. Factory	449
5. Central Committee	19
Total	724

Remuneration of employee (Executives excluded)

In 2016, the Company paid the remuneration to the employee (excluding Executives) in the total of 198,290,060.04 Baht which divided to salary, bonus and provident fund.

The Company's good corporate governance policy

Definition

The Company's good corporate governance policy is based on the principle of The Organization for Economic Co-Operation and Development (OECD), and Principle of Corporate Governance Year 2006 by The Stock Exchange of Thailand and Securities and Exchange Commission Thailand. The Company uses the two organization's principles as the Company's corporate governance guideline.

A definition of the Company's corporate governance is a system that provides a relevant structure of every group of stakeholder including the Board of Directors, managements, and shareholders. Also, the stakeholder must be treated with fairness and equality.

In addition, corporate governance policy also includes management system and internal control of the Company to achieve goals for utmost benefits to the shareholders in long term. The Company holds to 4 principles, to create confidence to all related parties, as the basis of sustainable growth of the business. The principles consist of transparency, integrity, accountability and competitiveness with the guidelines in practice divided into 5 categories as follow:

1. Right of Shareholders
2. Equitable Treatment of Shareholders
3. Role of Stakeholders
4. Disclosure and Transparency
5. Board Responsibilities

Section 1 Rights of Shareholders

1. Fundamental right

The Company's Board of Directors defines the Company's good corporate governance policy with regard to shareholders' rights as defined by law which comprise of:

- 1.1 Rights to receive, transfer shares and share repurchase by the Company and rights to receive sufficient information punctually via the communication channel provided by the company to enable the shareholders to consider the impact which may occur both of the Company and the shareholders.
- 1.2 Rights to attend the shareholders' meeting, express opinions, recommendations and jointly consider the Company's agenda items during the shareholders' meeting.
- 1.3 Rights to elect and deprive directors and approve the appointment of independent auditors.
- 1.4 Rights to the equally divided profits.

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

- 2.1 Aware of Thai and foreigners' shareholders, the Company shall prepare the documents about shareholders' meeting and memorandum in both of Thai and English.
- 2.2 The Company gives an opportunity to shareholders for proposing agenda item submitting questions in advance before the end of fiscal on year via www.pacificpipe.co.th.
- 2.3 In the general meeting of shareholders' the Directors and financial executives, including the Company's independent auditors will attend the meeting. The chairman will provide all shareholders with sufficient time for questions. The directors who involve in the questions will explain all questions completely. The minutes of

annual general meeting of shareholder is published within 14 days from the meeting date via www.pacificpipe.co.th.

- 2.4 All compensation of the Board of Director is approved by the shareholders annually. The Company will propose the criteria, methods and compensation of a year before for comparison.
- 2.5 During the agenda of directors' appointment, the voting shall be conducted individually.
- 2.6 The Company specifies each agenda item clearly and there shall not be any agenda items which have not been included originally in such meeting added without prior notification to the shareholders.

Section 2 Equitable Treatment of Shareholders

Attending the shareholders' meeting

1. The Company releases the meeting documents, Thai and English, 30 days in advance in the Company's website at www.pacificpipe.co.th before the meeting date and before the documents are sent to shareholders. In sending process, the Company granted the document to Thailand Securities Depository Co., Ltd., the registrar of the Company, and the document will be delivered to the shareholders 30 days before meeting date.
2. The Company aware of the convenience of all shareholders and institutional investor to attend the AGM such as the place of meeting and access to information through the Company website. The Company details to shareholders to bring all necessary documents to the meeting to maintain the rights to attend, according to company's regulation of shareholder meeting. The Company attaches proxies to shareholder who would like to authorize other person or the Company's independent director to attend the meeting instead. The shareholders can download the proxies via the Company's website at www.pacificpipe.co.th.
3. The Company provides the shareholders with an opportunity to propose a person to position the Company's director. For more information, the shareholders are able to visit the Company's website at www.pacificpipe.co.th.
4. During every shareholder's meeting, the chairman shall inform the shareholders of the voting method and the number of the quorum and enable the shareholders to equally exercise the rights in expressing their opinions and recommendations. Shareholders can inquire information, express opinion and suggestion, use a ballot paper and acknowledge the voting results on each agenda.
5. Shareholders who attend after the meeting has started are able to vote in the agenda that is in pending and undetermined by vote.

The conflict of interest

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

1. The conflict of interest

- 1.1 The employees should avoid any action that may cause the conflict of interest with the Company, be it contacting with any parties relevant to the Company's business, such as trade partners, customers or trade competitors, taking opportunity or using information that obtained by position to gain personal advantage, competing with the Company or performing other works that impact the employees' duties.
- 1.2 The employees should omit ownerships of trade competitors' shares if such ownership influences the employee to act or omit their jobs or affected the tasks. In case of the employees hold the share before working at the Company, before the Company enters the same business, or own the share by heritage, the employees must report the issue to their chief.
- 1.3 The employees who are a part of the stake holding are prohibited to enter any transactions on behalf of the Company, in order to prevent the conflict of interest that might be occurred.
- 1.4 Any business transactions on behalf of personal, family or any corporate that the employees hold a stake must be disclosed to the Company before involving the transactions.

- 1.5 Performing a task from subsidiaries will be allowed only by managements' or directors' approval. However, the Company's employees must not perform a task from outside that would compete with the Company or lead to the conflict of interest, no matter it is a temporary or permanent job, unless it is approved by the managements or directors.
- 1.6 When agenda items are raised during the meetings, any person with a conflict of interest shall temporarily leave the meeting to allow other attendees to consider, analyze and discuss the item without the influence of such person.
- 1.7 The Board of Director and executives shall consider the conflict of interest involving connected transactions between the Company and its subsidiaries or its parent company independently with prudence, honesty, ethically and take the Company's benefits into account.
- 1.8 The Board of Director and executives must report a related transaction that relate to the Company or subsidiaries' business management to Internal Audit Department quarterly or when the transaction occurs, and internal audit will report the issue to the Board of Director quarterly.

2. Use of inside information

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

- 2.1 Directors, managements and employees at all levels of the Company are prohibited to use essential inside information which are undisclosed

to the public for their benefit or others until information is disclosed to the public for 24 hours.

- 2.2 The Company's employees at all levels must maintain privacy of customer and trade information. Employee must not disclose such private information to the public or other unauthorized party, unless it is required by law, for court cases, or approve by the Board.
- 2.3 The directors, managements, and the employees or person who related to the information are prohibited to disclose or transmit the Company's information or secret to people who are not related to the information such as family, relatives and friends etc.
- 2.4 Unauthorized personnel shall not disclose the information. If any unauthorized person is asked to disclose information, a direct enquiry must be made to the authorized person to ensure the accuracy and consistency of the information disclosure.
- 2.5 Any advice about the Company's securities trading must not be provided unless it is related to a duty assigned by the Company.
- 2.6 The Company will release a notice of security trade forbidden during a financial statement making period both quarterly and yearly via the Company internal communication to the directors, managements, and the employees. The notice will be valid until a security commonly trading day is announce in written form.
- 2.7 The directors, managements, and the employees up from a head of department level, accounting officer, data analysis officer, and internal audit officer must prepare a report of security trade within 3 working days to an internal audit manager when the Company's security trade is occurred.
- 2.8 The directors, managements, and the employees up from a head of department, accounting officer, data analysis officer, and internal audit officer must quarterly report a security holding of their own and a related person as a rule of Securities and Exchange Act to the Internal Audit. The Internal Audit, then, will report the change of securities of such person to the Board of director.

Section 3 Role of Stakeholders

The practices with Customers

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

The practices with Trade Competitors

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

The practices with trade partner

1. Purchasing supply must be verifiably processed to provide transparency and maximum benefit.
2. The Company must conduct to trade partner with equality on the basis of fair competition.
3. The Company employee must procure products and services considering needs, value, price and quality. The employee must provide accurate information to trade partner equally without bias and discrimination against trade partner, including purchasing and supplying concisely consistent appropriately to the circumstances.

4. When contracting with trade partners, employee shall retain documents relevant to negotiations, drafting, contract making and contract monitoring as supporting evidence for a specific period.
5. The Company employee must not to take advantage from purchasing supply. The employee must place neutral, not closely to trade partner if it cause influence decision with company's employee.
6. The employee shall strictly adhere to contractual agreements. If either the Company or the trade partner fails to comply with the agreed terms and conditions, or circumstances that render compliance impossible, the Company employee shall report to their supervisor for solutions.

The Practices with shareholders

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

1. Having the dividend policy to pay the shareholders at the rate of no less than 40 percent of the net profit. The Company currently reserves 10 percent the Company's capital by law. However, such dividend payment can be changed, depending on the Company's performance, financial status and the Company investment's plan.
2. Establishing the Board of Director and sub-committee to approve the business direction, planning, objectives and budget. As well as reviewing the operation of the Company, in accordance with the laws and related regulations considering the highest interests of the Company, shareholders and stakeholders.
3. Shareholders and stakeholders can report or complain any issue that may cause damage to the Company to the Board of Director via Investor Relations as described below;

Investor Relations Department

Pacific Pipe Public Company Limited

Address : 1168/68-69 Floor 24th
Lumpini Tower Building,
Rama IV Road, Bangkok 10120
Telephone : +662-679-9000
Facsimile : +662-679-9075
E-mail Address : ir.dep@pacificpipe.co.th

Investor relations will collect report or complaint by shareholders and send it to the Remuneration Nomination Corporate Directors who is responsible for investigating the issue and report it to the board of director.

The practices with creditor

The Company complies with the terms of the loan agreement and gives the accurate financial information including debt payments are paid promptly every times and follow the terms of the contract or condition strictly. If the Company fails to comply with the agreed terms and conditions, the Company shall inform to the creditor in advance to have joint consideration for solutions. In business negotiations, employees should avoid any request or payment of any benefits in dishonest trade.

The practices for the Community and Social Responsibilities

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

Policy on Observation of Human Rights and Labor Practice

1. The Company is against the enforcement of labor or prison labor and the use of physical punishment or threat, be it physical, sexual, mental or verbal abuse, as the measures of discipline or control.
2. Being against the use of child labor, the Company does not hire people under 15 years old, be it during business hour or non-business hour, paid or unpaid.
3. The Company hires foreign workers legally under the labor law.
4. The Company recruits a person to each position fairly, considering the qualifications of each position, education,

experience and other requirements necessary for the job. The Company treats its personnel equally without discrimination on race, religion, educational background, or other status that is not directly related to their working performance.

5. The Company realizes the importance of employee and acknowledges employees as valuable resources which are the key of company's success. For these reasons, the Company provides employee with welfare and training to ensure their skilled performance and stability by;
 - 5.1 Giving fair salary which appropriate with the employees' responsibilities. All employees at all levels will receive a performance evaluation using Key Performance Indicators (KPIs) as a basis for remuneration in the form of annual salary promotion and bonus.
 - 5.2 Organizing orientation and give manuals to new employees to acknowledge and understand the rights, ethics and to comply strictly with labor law.
 - 5.3 Focusing on developing and providing training and education to employees continuously to increase working efficiency. Moreover, a promotion test is arranged yearly to promote the employees' career path.
 - 5.4 Setting up the provident fund to employee for supporting in saving account in long term for employees and their family when they resign, retire, become disabled or died.
6. The Company establishes a Security Committee to maintain an environment that is safe for the life and property of the employee.
7. The Company keeps personal data of the employees such as health records, biographies, resumes etc. A disclosure or transfer of the employees' personal data to the public needs approval from the employees. The violation of the regulation is disciplinary offense unless it is done according to the Company regulations or law.

Policy on Occupational Safety, Health, and Working Environment

The Company recognizes an importance of occupational safety, health, and working environment which is a basic

responsibility of the Company and affect to all employees including to others. The Company has established the policy as follows:

1. Occupational safety and good working environment maintenance are responsibilities of all employees in order to afford safety to lives and property of themselves, others and the Company.
2. The Company encourages all employees to understand and recognize occupational safety and health concern in their operation.
3. The Company recognizes an importance of operational accident prevention.
4. The Company supports and promotes the improvement of working environment and working with a safe and healthy condition.
5. The Company will support and promote activities about work safety by training, providing the knowledge, reviewing and practicing as well as organizing various activities to raise awareness of security work among the employees continuously and is always prepared.
6. The Company will prepare and provide the employee with standardized and quality personal protective equipment appropriate for employees' work.
7. The Company monitors security issues and ensures that the employees comply with the regulations about the Company's security and use the equipment as defined.
8. All employees participate in accident prevention and environmental protection. The Company welcomes any feedback and comments from the employees. Taking them into account, the Company will find a proper solution for any defect for the utmost safety of the employees.

Policy on practice by using information technology and communication

1. The Company supports the use of licensed and copyright equipment and software only.
2. Employee shall not perform any act causing disruption to others on the computer and Internet system in the office. Employee must not use the computer system to release inappropriate information that is against the law, morality, culture or tradition, such as, causing damage to reputation or property, possessing pornography, forwarding disrupting e-mails.

3. The employees must secure their password from other people's access. The employees must not access to unfamiliar website which could harm the Company's computer system.
4. Should the employees ask for their supervisor's permission to allow an external user to access the Company's information technology system, the employees have to monitor the external user and be responsible for any damage caused by the access.
5. The Company can examine, search, investigate and control the employees' information technology usage in order to ensure the safety on company's IT system.
6. The employees have to ask for their supervisor's permission before using additional computer devices brought from outside at the Company.

Policy on Intellectual Property

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

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

Section 4 Disclosure and Transparency Information and report

1. The Company ensures that all important information related to the Company, both financial and nonfinancial is disclosed accurately, thoroughly, equitably, and punctually according to the regulation of the Securities and Exchange Commission Thailand (SEC) and regulation of the Stock Exchange of Thailand. Apart from the Annual Statement (Format 56-1) and

Annual Report (56-2), the Company also discloses the information via its website for the shareholders, customers and other people interested to access the reliable information conveniently and equally.

2. The Board of Director entitles Investor Relations Department as the Company representatives to communicate and provide investors, stock analyst and stakeholders with the Company's information equally. For further information, please contact the Investor Relations Department;

Investor Relations Department

Pacific Pipe Public Company Limited

Address : 1168/68-69, 24th Floor
Lumpini Tower Building
Rama IV Road, Bangkok 10120

Telephone : +662-679-9000 (Auto)

Facsimile : +662-679-9075

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

3. The Company reports the responsibility of the Board of Directors for the Financial Report and discloses the performance of the board of director and sub-committee.

Rules and duties of the Board of Director and Top executive

The Board of Director

The board of directors shall perform their duties in good faith in accordance with the laws, objectives, and articles of Association and resolution of the shareholders' meeting of the Company except for a particular matter that the resolution of the shareholders' meeting is required, for instance, a connected transaction, acquisition or distribution of major assets under the Stock Exchange of Thailand regulations or regulations of other government agencies. The scopes of duties of the Board of directors are described as follow:

1. To establish and approve the Company's business direction and business objective by authorizing the Chief Executive Officer to set forth the business policies and strategies and to follow up the result quarterly. The management will act according to the policy, which should respond to the objectives set forth by the Board of Directors. The Audit Committee will inspect the Company's performance in line with the

relevant law and regulations and review such issue in every 5 year at least.

2. To perform duty with caution and responsibility for shareholders and perform in accordance with the law, objective, regulation and resolution of the shareholders with honesty.
3. To ensure that the Company has an effective written corporate good governance policy ethics and committee guidelines and approve the policy.
4. To revise and evaluate the operation in accordance with Corporate Governance policy, Ethics and Code of Business Conduct and committee guidelines at least once a year.
5. To revise and comment on the sufficiency of the Company's internal control annually.
6. To determine the level of The Chief Executive Officer and the managing director's financial authority and establish the guidelines for the Company's written procurement policy.
7. To consider and/or approve to the relevant transaction of the Company and its subsidiaries in order to comply with relevant notifications by the Stock Exchange of Thailand.
8. To approve significant transactions such as investment projects and other transactions stated by the law.
9. To establish a reliable financial report and audit system.

Authority of the Board of director

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

Chairman

1. Be responsible as the Board of Director's leader, for controlling and monitoring management's and other sub-directors' operating to achieve the operating plan.
2. Be a Chairman of the Board of Directors meeting and the shareholders meeting.
3. Be a representative in expressing the Board's opinion to the management.
4. Be a coordinator for the Company and external organizations such as state agency, local organization and press in case of necessary with a Chief Executive Officer as the Company's major announcer.
5. Be a coordinator between the Board of Director and management during the meeting.

The Audit Committee

1. To review that the Company's financial reports are disclosed accurately and adequately by coordinating with auditor and management for preparing both quarterly and annual financial reports.
2. To review that the Company has established appropriate and effective internal control system and internal audit system.
3. To approve the appointment, transfer, dismissal, and performance evaluation of Internal Audit Manager.
4. To approve internal audit plans, budget and manpower of internal audit department.
5. To consider and review the independence and performance report of internal audit unit.
6. To verify that the Company has appropriate and effective risk management, including the internal procedure of trace and complains receiving.
7. To verify that the Company has conducted business in compliance with the securities and exchange law, the regulations of the Stock Exchange of Thailand, or any relevant laws governing the Company's business.
8. To evaluate the Company's auditor in the following issues:
 - 8.1 To consider the auditor's payment based on creditability, resource adequacy, workload of the audit firm and experience of the auditor.
 - 8.2 To consider independence of the auditors to nominate propose or relieve the Company's auditor.

9. To examine the Company's information disclosure to comply with relevant regulations in case of related transaction or conflict of interest occurs.
 10. To perform other tasks as assigned by the Company's Board of Directors and consent by the Audit Committee.
 11. To prepare report on activities of the Audit Committee and disclose in the Company's annual report.
 12. To report any issues deemed necessary to be disclosed to shareholders and general investors under scope of duties and responsibilities assigned by the Board of Directors.
 13. To conduct performance evaluation of the Audit Committee by relevant persons at least once a year to improve operations for the highest benefit to shareholders and organization.
 14. Reporting its regular activities to the Board of Director for their acknowledgement.
 15. Report any suspicious transaction or action that might significantly affect the Company's financial status and operating results to the Board of Director in a proper period of time to cope with the matters. The following list consists of transactions and action needed to be reported:
 - 15.1 Transaction with conflict of interest.
 - 15.2 Corruption, irregularity or defect in the internal control system.
 - 15.3 Violation of the Securities and Exchange Law the regulations of the Stock Exchange of Thailand and any other laws related to the Company's business.
- Should the Audit Committee reports to the Board of Director about matters that significantly affect the financial status and operating result, consults with the Board and executive about the solution in a consensual time but the Audit Committee finds no action to cope with the problem and no reasonable excuse for the neglect, any individual of the Audit Committee could report the problem to the Office of Security and Exchange Commission and /or the Stock and Exchange of Thailand.
16. To report a preliminary audit result to the audit office and auditor within 30 days since there is a report from the auditor about suspicious action of a

director, manager or individual responsible for the organization's operation that violates Security and Exchange Act (4th edition) 2008.

The Remuneration Nomination and Corporate Committee

The Nomination

1. To select the qualified persons to the position of director by nominating the persons to the Company's Board of Directors for approval and/or to the shareholders' meeting, as the case may be.
2. To appoint an appropriate committee as member in sub-committees and present to the Board of Directors in accordance with the principles of good corporate governance policy.

The Remuneration

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

The Corporate Governance

6. Define the Company's Corporate Governance, Ethics and Code for Business conduct and Corporate Social Responsibility and propose to the Board of Director for the approval.
7. Operate other task assigned by the Board.

The Risk management Committee

1. To define risk management policy and propose to the Board for the approval.
2. To provide suggestion on the result and method of the Company's risk management in each issue to comply with the policy. The strategy and method of risk management can be assessed, reviewed and protected risks in the appropriate level. There are

guidelines in practice to get to an event when that risk happen. There are guidelines that can receive events when the risk occurs.

3. To manage the reconsideration of the Company's and it subsidiaries' risk regularly, covering internal and external issues stated as follows:
 - Risk strategy
 - Operating risks and The compliance risk
 - Financial risks
4. To monitor, control and revise the risk management policy, strategy and conduct when the risks occur at least once a year to ensure that the risk management strategy is effectively and appropriately practical to a particular situation.
5. To give advice and support to the Company's Management Committee in enterprise risk management. Include the promotion and support to improve risk management system development in company continuously and regularly.
6. To communicate, exchange information and coordination in risk management and internal control with the Audit Committee.
7. To appoint a team and/or management team to support the process and risk management activities, as appropriate and necessary.
8. To perform any task assigned by the Board.

Chief Executive Officer

1. To conduct and propose the Company's business policies, goals, operational plans, business strategies, and annual budgets to the Board of Directors for approval.
2. To set business plans, budgets, and management authorities to seek approval from the Board of Directors.
3. To approve financial activities to purchase raw materials within 250 million baht in total. To authorize approval for the higher amount if such purchase is deemed necessary to prevent impact on the Company's operations but it must seek ratification from the Company's board meeting.
4. To approve the Company's investment transactions and financial activities as follows:

- Investment transactions with amount within 30 million baht.
- Asset procurement for the Company's business expansion within 50 million per transaction with an amount of 100 million in total. In case of the amount exceeds 100 million baht, ratification is a must upon completion of the transaction. Should the amount is not exceeded, it will be included in annual report to propose to the board's meeting.

5. To monitor the Company's business operations to be in accordance with business policies, goals, operational plans, business strategies, and budgets approved by the Board efficiently and appropriately with business condition.
6. To set efficient organization and management structures, covering the Company's employee selection, training, hiring and termination.
7. To supervise and approve matters related to the Company's operations. It may appoint or authorize any individual or team to engage in any activity as it deems appropriate. Chief Executive Officer is entitled to cancel or change the authorization.
8. To perform any task assigned by the Board of Directors.

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

Internal Control and internal auditing

The Company's Internal Audit is an independent department that examines every department's operation to comply with the rules and evaluates the effectiveness and efficiency of each department's internal control. It ensures the managements that the current internal

control is regularly and properly active. It also searches for weakness and error of the operation and help improve it. The Internal Audit can examine and balance completely since it can report directly to the Board as shown in a structure on page 33

The Organization and the environment

1. The Company defines explicit business goal and can be assessed and presents them to the Board of Directors to consider as guidelines for employees' practices.
2. The Company provides the Ethics and code of business conduct for good practice and notifies all employees to sign for acknowledgement so that the employees can perform without violating ethics and code of business conduct.
3. The Company establishes organization structures that are clearly categorized by each sector's duty and concretely entitles an approval authority, to help the operation run effectively and properly according to the business size and condition.
4. The Company Define and provide job description which specifies a nature of each job and proficiency of the position to select personnel properly.
5. The Company has Human Resources management policy of recruiting proper personnel for a position, personnel development and training, promotion, salary promotion and reasonable incentive and reward.

To Control

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

To Follow up and evaluation

1. To provide the report that compares an actual operation with quarter forecasts.
2. The Company has internal audit department and data analysis department which are knowledgeable personnel. The reports will be present to the board of directors and top management.

Head of Internal Audit

The company has nominated and appointed Mr.Naritchai Bhurepongsonond as the head of the Company Internal Audit Department since April 1st, 2004 considering his proficiency and a 7 year experience of internal audit in the industry. The details of the Head of Internal Audit are stated as followed:

Mr. Naritchai Bhurepongsonond (Age 42)

Position

Internal Audit Manager

Education

Bachelor of Accountancy

Rajamangala University of Technology Thanyaburi

Training

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

Work Experience

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

An appointment, transferring, discharge and operating result assessment of an Internal Audit Manager always need a resolution from the Internal Audit Committee.

Risk Management

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

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

1. Internal Environment

This process is emphasized on planning the strategy process to understand the principles and reasons of determining the Company's strategy for specifying the risk factors covering all significant activities in the Company. The strategy starts with the chief executive defining annual mission that related to the Company's vision by applying the strategy to practice via BSC or Balanced Scorecard. Each department's or activity's executive is responsible for establishing annual operation plan and budget based on activities in BSC, activities connection and defining KPI's to evaluate every activity achievement.

2. Objective Setting

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

3. Event Identification

Arrange work shop with related people to indicate risk event by analyzing operating process that affects the objective achievement of the department and company. Identify situations or instabilities that cause error, failure, damage or loss which affects the objective achievement of the department and company, without considering the existing control, possibilities or instabilities to ensure that risk event identification covers all activities.

Analyze risk event to search for relation and cause of relation to define the risk factor and risk categories which the Risk Management Committee categorizes into

3 types as followed:

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

4. Risk Assessment

After the risk owner had identified risks then grading score to the risk appetite of the Company will be apply by assess the level of inherent risk that do not have any action and revise the risk matrix when considering the effective control of the risk factors. The details of best practices are as follows;

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

5. Control Activities

Control Activities is the consideration of efficiency and effectiveness of control activity that decrease the risk level under the risk appetite of the Company. By consider the control effectiveness after assessment of inherent risk and after the defining of risk response.

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

6. Risk Response

After assessing and arranging risk matrix which reflect residual risk and risk that is higher than the risk appetite, the risk owner must plan a management to reduce the occurring probability and consequence by considering

the use of the existing resources to gain upmost benefit, comparing risk nature, risk matrix, cost and resource used in that option to the expecting result. The Risk Management Committee has assigned risk owner of each department to indicate Key Risk Indicator (KRI) and Key Performance Indicator (KPI) to evaluate the active plan achievement. There are 4 options to manage the risks:

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

7. Monitoring

Monitor and assess risk management result according to how a risk owner has defined, to analyze whether the risk management is effective. Should there be an unacceptable risk remaining after the department has

launched the risk management, the risk must be assessed to find its level of intenseness and the management method. Then, the issue must be proposed to the Risk Management Committee to advise and allocate budget to support. However, the risk management can be achieved with the executive's earnest support and the adapting of the residual risk into a risk management.

8. Information & Communication

Integrated risk management can be conducted continuously with a support from the Chief Executive of the Company and cooperation from all employees in the Company. For all personnel's full understanding and acknowledgment of their role in the Company integrated risk management, there must be an effective information system programming and communication, both in public relations, training and monitoring for the continuous management. Currently, the Company has communicated via the Risk Management Committee meeting and invites risk owners to observe a progress in risk management in each department.

Section 5 Board Responsibilities

1. Composition of the Board of directors

- 1.1 The member of the board of directors of PAP according to the Company's regulation number 11 that, "The Company shall have a Board of Directors which consists of at least 5 persons. The Board of Directors shall provided that at least half (1/2) of the directors shall reside within the Kingdom of Thailand. The directors shall have qualifications as specified by law." Presently, the Company director consists of 10 directors, which are 4 executive directors, 1 non-executive director and 5 independent directors.
- 1.2 The Chairman is an independent director.
- 1.3 The director nomination complies with the Company's regulation and relevant law and must be transparent. The nomination must be approved by the Remuneration Nomination and Corporate Committee and proposed to the Board or shareholders meeting for approval, as the case may be.
- 1.4 The Chairman shall not be a chairperson or a member of sub-committee.
- 1.5 The Company Secretary shall be appointed to assist the Company's directors in the exercise of

their duties and responsibilities in compliance with relevant laws and regulations.

2. Qualification of Directors

- 2.1 A director must be a proficient person with business ethics who dedicates time, knowledge, ability and attempt to the task and be independent in making decision.
- 2.2 Qualified with no disqualification according to the Public Limited Companies Act and other related laws.
- 2.3 Limited positioning in other companies to 5 companies or less.
- 2.4 Limited positioning of chief executive officer, chief financial officer (management director) and chief management officer in other companies to 3 companies or less.
- 2.5 Independent according to the regulation of the Security Exchange Committee and the Stock and Exchange of Thailand.
- 2.6 Limited working period for an independent director to 9 years.
- 2.7 Should an independent director positions longer than 9 years, and the director is appointed as an independent director, such appointment must be approved by the shareholders.
- 2.8 A director position period complies with each committee's charter. According to the charter no. 13, one-third of the directors resign in every Annual General Meeting. Should the director number cannot be divided into 3, director number that is the closest to one-third resigns. Directors resigning in the first and second year after the Company is listed can be decided by drawing lots. For the later years, directors who positioned the longest shall resign. However, the resigned directors can be appointed to the position again.

3. Sub-Committee

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

3.1 Audit Committee

The Audit committee consists of 3 independent directors who are also the Company's directors. At least one of them must have an expertise in accounting/finance. The term limit of the committee is 3 years.

3.2 Remuneration Nomination and Corporate Committee

The Remuneration Nomination and Corporate Committee consists of 3 members which are 1 non-executive director, 1 independent director and 1 non-executive director,

3.3 Risk Management Committee

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

4. The Meetings

In each year, the Board arranges annual meeting schedule in advance. Before the meeting date, the Company delivers invitation letter and document for the Board meeting at least 7 days in advance. All directors can submit meeting agenda items or inform the Company when one cannot attend the meeting at least 1-2 days in advance. During the meeting, there will be sufficient time for discussing and expressing opinions, including senior executive explaining information as a person involving directly with the problem via executive director. In terms of voting, at least two-third of all directors must be present as the Board is voting. The minutes of the meeting must be written.

In addition, the Board of Directors has the policy to hold a meeting of non-executive directors at least once a year.

5. Compensation

5.1 The Remuneration Nomination and Corporate Committee defines compensation for the Board of Directors by making propose the issue to the Board of Directors and the shareholders for approval. The Company's policy is to compensate the directors based on the Company's performance and the benefits expected to gain from the Board of Directors. Such compensation should be able to

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

5.2 For the compensation of the top executive, the Company has been measuring the performance of the executives yearly using the key performance indicators (KPIs). The evaluation of top executive's performance is divided into 2 categories which are

- 1) A measure of success based on the Company's goals.
- 2) Individual evaluation of the Board of Directors performance.

Then the Remuneration Nomination and Corporate Committee will consider the compensation that reflects the performance and a standard for compensation among other companies in the same industrial field and propose the appropriate amount of compensation for the Board's approval. On the other hand, the Chief Executive Officer will assess and decide a compensation for chief financial officer (management director), executive director and CEO and propose for the Board's approval.

6. The board of directors' report

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

7. Succession Planning

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

8. New Director Orientation

The Company Secretary prepares the relevant documents and be beneficial to the duties of Directors such as Director Handbook, anti-corruption policy, corporate governance policy and code of business conduct including plant visit of the Company.

9. Training and Education for Directors

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

10. Evaluation of the Board of Directors' performance.

The Board of Directors

For the highest efficiency, the revision and enhancement of the Board of Director performance according to the Company's Corporate Governance, the Company conducts the Board of Director operational result assessment, the director individual self-assessment result assessment and the sub-committee operational result assessment by the Board.

The remuneration Nomination and Corporate Committee proposes the assessment criteria to the Board meeting. All evaluations will be summarized and added to an agenda item on the Board of Directors meeting no.1 of every year in order to analyze assessment results

released and share opinion on each issue. A score of the Company's director operational result assessment of 2016 is 94.44 out of 100, 2.40 % decreasing comparing with the previous year. An average score of the director individual self-assessment result of 2016 is 96.24 out of 100, or 0.79% decreasing from the previous year.

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

The Chief Executive Officer

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

Supervision the Operations of Subsidiaries

Pacific Pipe Public Company Limited has 2 subsidiaries which are Tamose Trading Company Limited and Meesup Transport Company Limited. The directors in subsidiaries are the representatives from Pacific Pipe Public Company Limited in order to participate in management and determine significant operation policy for the highest benefit to the subsidiaries. In case of the operation results of subsidiaries affect significantly to the Company; the representatives must report to the Board of Director of Pacific Pipe for approval. Good corporate governance policy and ethic including regulation in connected transaction are established to conduct the operation of company and subsidiaries and provide guidelines the business and development operates in the same direction. Moreover, information and significant document storing including the Company standardized accounting are managed in order to be conveniently audited, collect and report financial statement thoroughly, accurately and punctually.

Anti – Corruption Policy

Definition

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

Anti-Corruption Policy

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

Duty and Responsibility

1. The Remuneration Nomination and Corporate Committee proposes the Anti-Corruption Policy to the Board of Director for approval.
2. The Board of Director is responsible for considering and approving the anti-corruption policy of all kinds, both direct and indirect, in order to use it as a guidelines of practices for all personnel of the organization.
3. The Risk Management Committee is responsible for fraud risk assessment and proposing it for the Board of Director's approval. It is used as guidelines for the Internal Audit Division for planning, auditing and monitoring.
4. The Audit Committee has the duties and responsibilities as follow:
 - 4.1 Review the audit reports, internal control system and risk assessment related to corruption according to the internal audit Department has proposed to ensure that internal control systems have least impact of risk to the financial position and operating results of the Company and are appropriate to the Company's business model.

- 4.2 Report on the verify results of the internal control systems and fraud risk assessment to the Board of Directors.

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

Regulations

1. The Company's employees are prohibited from trying to illegally and unethically influence over business partner and competitor, such as offering a discriminately assistance and bribery.
2. Operating or involving with illegal business is not permitted.
3. In term of dealing with a business partner, the employees must avoid giving or receiving a stuff involved with a business negotiation, contract making or delivering a contract. For a receiving or giving stuff, it must be in a proper value or be legally approved. Moreover, the regulation applies to both giver and receiver.
4. It is the Company policy to oppose bribing a government officer and others to gain business benefit.
5. Procurement must be conducted through the Company's regulations must be transparency and can be verified.
6. The directors and executives must be aware of the importance of providing knowledge and consulting in order to create a better understanding to subordinates about the anti-corruption. Employees can practice in accordance with the anti-corruption policy and become a role model in terms of honesty, ethics and code of conduct.

To publish the anti-corruption policy

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

1. The Company will post a policy of anti-corruption at the signboard every plant of the Company.
2. The Company will publicize the anti-corruption policy through the communication channels of the Company such as company intranet, company website, Form (56-1) and annual report (56-2).
3. The Company will provide training the anti-corruption policies to new employees and provide details of anti-corruption into the employee's Handbook.

Complaint and Whistle Blowing Policy

Scope of Complaint and Whistle Blowing

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

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

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

Complaint Channel

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

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

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

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

Pacific Pipe Public Company Limited

Address : 1168/68-69 Floor 24th
Lumpini Tower Building
Rama IV Road, Bangkok 10120
Telephone : +662-679-9000
Facsimile : +662-679-9075

Process after receiving a complaint

1. Fact gathering

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

2. Data Screening

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

- 1) Human Resource Manager or a delegate in manager level or above.
- 2) Director in a complaint's department who is a person with no conflict or benefit with a complaint.
- 3) Internal Audit Manager

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

3. Operation measurement's specification

Secretary of Remuneration Nomination and Corporate Committee will summarize a report and propose a complaint's operation measurement, and propose to the managing director or chief executive office, depending on each case, for approval.

In case of the issue severely affects the Company's image and reputation, financial status, the Company's operating policy or relates to the top executives, the Chairman of Remuneration Nomination and Corporate Committee will report the issue to the Internal Audit Committee and/ or the Board of Director.

Reporting an operation and investigation results

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

All of the employees must sign the form as a confirmation to acknowledge and comply with the Company's corporate governance. The employees are unable to claim that they have not been informed about the Company's laws and regulations, to be a reason for violating them.

From the aforementioned Corporate Governance Policy and Anti-corruption Policy, the Board of Director is aware of the importance of good corporate governance and supporting its practice by disclosing it to the directors, executives and employees for acknowledgement and compliance, and via the Company's website and annual report for acknowledgement of the shareholders. The policy is reviewed at least once a year to conform to international corporate governance and to be appropriate to practice. However, the clarification for some regulations unable to be carried out in 2016 and/or their alternative preventive measures are described below.

Regulations yet to be practiced	Reasons / alternative measures
1. Directors and top executives informing the board of director or those who entitled by the board of director of the company's security trade at least 1 day in advance before the trade	The Board of Director has established preventive measure for inside information use by clearly announcing The Company's security trade prohibition period to Director and executive, including specifying a severe penalty for violation of security trade written in Ethics and Business Code of Conduct of the Company.
2. Public announcement / press release of the company's financial status	The Company's executives convene a meeting with investors and shareholders at least once yearly via Opportunity Day, arranged by the Security Exchange of Thailand, and meet security analysts at least once quarterly.
3. Consideration for review and approval of the company's vision, mission or strategy in the last fiscal year	The Board of Director assigns a review of vision, mission and strategy at least every 5 years and a quarterly close follow-up in order to adjust the strategy to be appropriate to present situation.
4. Chairman of the nomination and remuneration committee being an independent director	Chairman of the Remuneration Nomination and Corporation is a non-executive director who is proficient in the duty and capable of dedicating adequate time to perform the duty.

Auditor Compensation

In 2016, the Company and its subsidiaries compensated EY Office Company Limited and person or business involving with the auditor their affiliated organization for the audit as follow;

1. Audit Compensation

Company	Audit Fee (Baht)
1. Pacific Pipe Public Company Limited	1,040,000
2. Tamose Trading Company Limited	280,000
3. Meesup Transport Company Limited	220,000
Total	1,540,000

Moreover, any cancellation of the Company's corporate governance must be approved by the directors announced immediately according to the law.

Measurement of protecting the violation's reporters and appellants

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

2. Other Compensation

- None -

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

The Audit Committee Report

The Company's Board of Directors approved an appointment of 3 Audit Committee members who are also Independent Directors which have knowledge and meet all requirements by the Stock Exchange of Thailand. The committee consists of:

1. Dr. Vicharn Aramvareekul
Chairman of the Audit Committee
2. Ms. Piyanus Chaikajornwat
Director of the Audit Committee
3. Mrs. Udomwara Dechsongjarus^{/1}
Director of the Audit Committee
and Mr. Naritchai Bhurepongsanond
Secretary of the Audit Committee

^{/1} Mrs. Udomwara Dechsongjarus was appointed as Director of Audit Committee on August 11th, 2016 as a replacement for Dr. Somchai Harnhiran who resigned from his position on May 26th, 2016.

In fiscal year 2016, the Audit Committee independently and completely performed their duties assigned by the Board of Directors. The Audit Committee held meetings with the Company's Management, external auditors, and internal auditors to present information, discuss and exchange opinions in related agendas. The Audit Committee performed their duties in accordance with the established charter through internal auditors, which are directly under the committee. This allowed the Audit Committee to perform duties with independence and transparency in compliance with good corporate governance practice to protect the Company's interests and have right of access to adequate information. In 2016, there were 8 meetings, including the four meetings with the Auditors without the Management. The Audit Committee's performances are summarized as follows:

1. Financial statements

Reviewed quarterly financial statements and annual financial statements for 2016 by coordinating with auditors and considered recommendation about internal control system. The Audit Committee noted that the Company's financial reports were prepared in conformity with generally accepted accounting principles and with adequate information disclosure.

2. Connected Transaction

Reviewed and provided opinions concerning connected transactions or transaction that may involve conflict of interests to assure transactions' fairness and the company's best interests. The Company pursued good corporate governance practice with transparency and adequate information disclosure. The significant transaction was the consideration of the renewal and termination of the land rental contracts.

3. Internal Audit

Approved audit plan and workforces for 2016, determined adequacy of internal auditor staff development to achieve the annual audit plan, reviewed performances and recommendations of internal audit department, and monitored adjustments in accordance with recommendations. The Audit Committee concluded that the Company's internal audit process was performed with adequate independence and effectiveness.

4. Good Corporate Governance

Monitored dissemination of the Company's employee code of conduct, which stipulates employees of associated companies to report names of related persons that may involve conflict of interests or the related transactions to the Audit Committee every time and report to the Company's Board of Directors for the shareholding in the Company on quarterly basis. In 2016, there was no transaction significantly involved with conflict of interests.

5. The Audit Committee's Performance

Presented the results of the Audit Committee's performance to the Company's Board of Directors in each Board meeting. The Audit Committee made opinions and recommendations that were useful, to the Management for which the Management had considered and improved the operation effectively according to the recommendations. The Management had also considered and evaluation of the Management's performance of year 2016 by The Board of Directors of the company for improvement of the operation.

6. Auditors

Evaluated The independency of the auditors and gave opinion on the auditors' remuneration for presenting to the Board of Directors for approval in the Annual General

Meeting of Shareholders 2017 to make appointment of auditors from EY Office Company Limited as to become the Company's auditors for 2017.

From the aforementioned activities throughout 2016, the Audit Committee found that the Company's Board of Directors and the Management had implemented the good corporate governance as important policy and had conducted ethically in business with the determination in achieving best result of Company's goals professionally. The operation included the improvement of risk management and promotion of internal control for the best effectiveness as well as the handling of internal audit which was conducted independently and its process complied with the international standards of practice through continuation of improvement of the internal audit's operation process.

On behalf of the Audit Committee



Dr. Vicharn Aramvareekul
Chairman of the Audit Committee
February 22nd, 2017

Remuneration Nomination and Corporate Committee Report

The Remuneration Nomination and Corporate Committee consisted of 3 Independent Directors who have three-year terms from February 5th, 2015 - February 4th, 2018. The Committee members are listed as follows:

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

The Remuneration Nomination and Corporate Committee conducted the task assigned by the Board of Directors under the Company's Good Corporate Governance conscientiously. In 2016, the Remuneration Nomination and Corporate Committee arranged 5 meetings to determine significant issues of their responsibility which are summarized as followed:

1. Nomination

Considered and nominate the Company directors and sub-committee, as substitutes for directors who terminated or resigned, based on qualification, competency, various proficiencies and experiences beneficial to the business. In order to promote the Corporate Governance and management to continue effectively and comply with regulations from the Stock Exchange of Thailand and other related organization, the number of the Boards and its composition was appropriately designed in accordance to their competency and experience.

2. Remuneration

1. Determined compensation rate for the Board of Directors and Sub-Committee, by comparing the rate to other companies' in the same business field, based on the Company's operation results and the directors' responsibility.
2. Determined compensation and welfare for the Chief Operative Officer by defining concrete assessment criteria which is based on operation results comparing to the objective and the increasing sales and net profit growth compared to the previous year.

3. Corporate

1. Reviewed the Remuneration Nomination and Corporate Committee charter in order to update and align the information with the Company's Good Corporate Governance.
2. Reviewed and revised the Good Corporate Governance, Ethics and Code of Conduct and Director Guideline and informed the guidelines to the employees.
3. Reviewed and revised Good Corporate Governance of 2016 in order to enhance the Good Corporate Governance standard to acknowledgeable international level. The Company's assessment result from Thai Institute of Directors (IOD) was, "Very Good."
4. Conducted and publicized Corporate Social Responsibility activities concretely.
5. Reported the Company Corporate Social Responsibility operation as a communication to all stakeholders of the Company.
6. Reviewed the appropriateness of the Board of Directors, individual operate result assessment for the Board of Director, Remuneration Nomination and Corporate Committee, Chief Operative Officer assessment forms.

The Remuneration Nomination and Corporate Committee performed the task prudently, reasonably and independently without influence from the Management. In 2016, the Directors received the compensation as indicated in the Director Remuneration Report of 2016. Comparing the remuneration survey from Thai Institute of Directors (IOD) and Stock Exchange of Thailand with overall listed companies, companies with the similar business and companies whose sales and net profit are similar to the

Company, the Remuneration Nomination and Corporation Committee agreed that the determined compensation is appropriate and fair to the Company and the Directors and their responsibility. The Board of Directors approved the compensation and appointed the issue to the shareholder's meeting, considering the utmost benefit of the minor shareholders according to the Good Corporate Governance.



Mr. Kriengkrai Rukkunchon
Chairman of Remuneration Nomination
and Corporate Committee
January 17th, 2016

Risk Management Committee

Report

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

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

Entitled by the Board of Directors, the Risk Management Committee was responsible for providing opinion, advice and support to the Management in order to improve the efficiency of the risk management system throughout the Company continuously, including encouraging the engagement in all levels in the organization. In 2016, there were 4 Risk Management Committee meetings, in which all Risk Management Committee Directors participated every meeting. The risk management activities can be summarized as follows:

1. Corporate Risk Assessment

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

2. Organization Risk Determination

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

3. Risk Response Determination

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

4. Risk Management Activity Result Follow Up

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

5. Risk Awareness

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

6. Business Continuous Planning (BCP)

Being aware of the importance of a business management during crisis, the Company researched and conducted Business Continuous Planning and practiced the plan yearly.

Due to these conducts, it is believed that the systematic risk management and closely follow-up will enable the Company to achieve its business operating objective, sustainably create and deliver value added to the Shareholders and stakeholders.



Dr. Chaiyong Satjipanon
Chairman of the Risk Management Committee
January 17th, 2017

Report on the Responsibility of the Board of Director for the Financial Report of 2016

The Board of Director is responsible for financial reports of the Company and its subsidiaries and place importance policies on the Company's activities comply with Good Corporate Governance policies. This is to ensure the financial report of company and its subsidiaries and other financial information are accurate, complete and accordance with generally accepted accounting principles by choosing accounting policies and/or practices that are appropriate and comply regularly. Provide reasonable discretion carefully in the budget accounts including ensure that important information is sufficiently disclosed and audited with unqualified opinion by an independent certified public accountant.

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

appropriateness and effectiveness of the internal control system and internal auditing.

The financial statement of the Company and the consolidated financial statements of the Company and its subsidiaries have been examined by an external audit, EY Office Limited. To conduct the audit, The Board of Directors provides information and documents requested, allowing the auditor to audit and express opinion in accordance with generally accepted auditing standards. The auditor's opinion is presented in the auditor's report included in this annual report.

The Board of Directors believes that the Company's overall internal control system has functioned at a satisfactory level and rendered credibility and reliability to the financial reporting of the company and its subsidiaries for the year ended December 31st, 2016 with reliability, using generally accepted accounting principles and operating correctly according to the relevant law and regulations.



Mr. Somchai Lekapojpanich

Chairman

appointed as of January 17th, 2017

Management's Discussion and Analysis of Financial Condition and Results of Operations

1. Overall Results of Operations

After the dramatic decrease in 2015, steel price kept fluctuating throughout the year 2016. The price increased rapidly in the first quarter of 2016 and started to decrease in the second quarter. However, when China, the world's largest steel manufacturer, declared a policy lowering its production in steel and coal to lessen environment problems in its country, together with our domestic factor regarding the government's anti-dumping measurement on steel imports from China and Korea, the steel price rose again in the end of 2016. As a result, the Company's revenue grew 8.08% with total revenue of Baht 7,150.37 million and net profit at Baht 546.38 million comparing to the last year's net loss at Baht 42.99 million.

2. Results of Operations for the year 2016

For fiscal year ended December 31, 2016, the Company reported the sales and service income of Baht 6,993.96 million, which increased from 2015 of Baht 518.96 million or 8.01%. The Company had net profit of Baht 546.38 million or 7.81% of Sales and service income. Earnings profit per share (EPS) was Baht 0.83

Gross Profit Margin of the Company for fiscal year ended December 31, 2016 is 15.79% which increased from 2015 of 6.24%. This is due to the increase of global steel price. The net profit on total revenues for year 2016 increased 7.64% comparing to net loss at 0.06% in 2015.

Revenues

For fiscal year ended December 31, 2016, the Company reported the sales and service income Baht 6,993.96 million which was 97.87% of total revenue increasing 8.01% from year 2015. This sales revenue could be categorized into domestic and export sales of Baht 6,806.30 million and Baht 93.21 million or accounting for 98.65% and 1.35% respectively. The total revenue of the Company increased from Baht 6,615.59 million in 2015 to Baht 7,150.37 million in 2016 or increased 8.08%.

Revenue breakdown by customer group show in table below, Trader amount of Baht 5,547.30 million was high growth rate customer group in year 2016, growing from year 2015 Baht 413.54 or approximately 8.06%.

Revenue from Sale	2014		2015		2016	
	Million	%	Million	%	Million	%
1. Trader	5,545.50	80.97	5,133.76	79.29	5,547.30	79.32
2. Contractor	645.32	9.42	637.96	9.85	679.02	9.71
3. Industrial	518.48	7.57	529.79	8.18	515.57	7.37
4. Other	47.86	0.70	108.33	1.67	157.62	2.25
Total Revenue from Sale	6,757.16	98.66	6,409.84	98.99	6,899.51	98.65
Service Income	91.86	1.34	65.16	1.01	94.45	1.35
Total Revenue from Sale and Service	6,849.02	100.00	6,475.00	100.00	6,993.96	100.00

Cost of sales and service

In 2016, the Company reported cost of sales and service of Baht 6,021.30 million or 86.09 % of sales and service income compare to year 2015 of Baht 6,202.99 million or 95.80% of sales and service income. The cost of sales and service portion to sales and service income decreased from year 2015 because the steel cost was lower than the same period last year and the effective production cost control reduced the unit cost.

Selling and administrative expenses

In 2016, the Company reported Selling and administrative expenses of Baht 443.71 million, which increased from 2015 of Baht 68.54 million or increased 18.27% due to the rise in sale quantity and expense in operation.

Return on Equity

In 2016, the Company had net profit of Baht 546.38 million. The return on equity was 21.37% which increased from return on equity -2.14% in 2015 due to net profit that dramatically increased aforementioned in Results of Operations.

Financial Position

Assets

Total assets

At the end of year 2016, the Company had total assets of Baht 3,707.87 million, which increased from 2015 of Baht 390.03 million or increased 11.76% due to the increasing in inventory and account receivable.

Account receivable

Account receivable in 2016 was Baht 605.94 million, which increased from 2015 of Baht 49.83 million or increased 8.96%. Account receivable aging show as table below.

(Unit : Million Baht)

Aged on the basis of due dates	2014	2015	2016
Not yet due	415.79	423.10	469.58
Past due			
Up to 3 months	134.36	103.28	127.60
3 - 6 months	16.16	7.84	7.56
6 - 12 months	13.66	21.39	1.13
Over 12 months	23.41	27.75	16.40
Total	603.38	583.36	622.27
Less: Allowance for doubtful debts	(24.46)	(27.25)	(16.33)
Total trade receivables - net	578.92	556.11	605.94

Inventory

The Company had an inventory of Baht 1,149.04 million, which increased from year 2015 of Baht 301.93 million or 26.28%. Average Day Sale of the Company in year 2016 is 60 days which is shorter than year 2015 which was 71 days. This is due to the proper inventory management to reduce impact from steel price fluctuation.

Property, plant and equipment

The Company had property, plant and equipment of Baht 1,375.45 million, which decreased from year 2015 of Baht 47.67 million or 3.35% since the Company did not have any significant investment.

Liquidity

The Company's current ratio 2016 and 2015 were 2.10 and 2.25 respectively, while its cash cycle ratio in 2016 and 2015 were 35 and 37 days respectively. In terms of debt service capability, the Company's interest coverage ratio at the end of 2016 and 2015 were 20.46 and 0.74 respectively.

During the year 2016, the company had Cash Flow from operating activities used in Baht 325.16 million due to the increasing in net profit, and also the inventory and receivable. Details in cash flow statements are described in the table.

(Unit : Million Baht)

Cash Flow	2014	2015	2016
From Operating activities (used in)	(27.81)	902.12	325.16
From Investing activities (used in)	(441.39)	(83.49)	(97.45)
From Financing activities (used in)	503.23	(709.43)	(222.71)
Net increase in cash (decreased)	34.03	109.20	5.00

Source of Funds

Liabilities

The Company's total liability was Baht 1,150.88 million or Baht 156.34 million decreased from year 2015 because :

1. In 2016, the Company's short-term loan from financial institutions was Baht 866.47 million or Baht 286.21 million increased from year 2015 due to the increase in inventory.
2. In 2016, the Company fully paid long-term loan from financial institutions amount Baht 407 million. The loan was for investment in new plant at Mahachai which is unsecured. However, the long-term loan agreement of the Company contains covenants and maintains certain financial ratio as in agreement. (Note to financial statements no. 15)

Long-term Loan

In 2016, the Company fully paid long-term loan from financial institutions at Baht 407 million. (Note to financial statements no. 15)

In 2016, the Company fully paid long-term loan from Tang Mong Seng Holding Company Limited at Baht 100 million. (Note to financial statements no. 6)

Shareholders' Equity

The shareholders' equity of the Company was Baht 2,556.98 million in 2016, which increased Baht 546.38 million or 27.17% from 2015.

Capital Structure

The debt to equity ratio at 31 December, 2016 and 2015 were 0.45 and 0.65 respectively due to increasing debt to equity ratio is described in Liabilities above.

Commitments

The company had operating lease commitments in respect of the lease of land and motor vehicles with related parties and other companies. The terms of the agreements were generally between 3 to 13 years in 2016.

3. Factor impacts to the future operational results

Risk associated with the reliability on major steel producers

The company purchased Hot Roll Coil mainly from domestic supplier because may factor such as Regulations for importing 21 bis, the Ministry of Commerce has extended the effectiveness of the Anti-Dumping duties on imports of hot-rolled steel from 14 countries and also imposed the Safeguard Measure (SG) on imported Hot Rolled Alloyed Steel Products. The company relies on only two domestic hot-rolled steel coil producers which are Sahaviriya Steel Industries Plc. and G Steel Plc., when their business of policies change, it might impact to the raw material supplies of the Company. Therefore, the company are closely monitor in production and raw material planning in advance.

For more risks that impact the operational results of the company, please see in headline "Risk Factor" (page 18-19)

Independent Auditor's Report

To the Shareholders of Pacific Pipe Public Company Limited

Opinion

I have audited the accompanying consolidated financial statements of Pacific Pipe Public Company Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2016, and the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and have also audited the separate financial statements of Pacific Pipe Public Company Limited for the same period.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pacific Pipe Public Company Limited and its subsidiaries and of Pacific Pipe Public Company Limited as at 31 December 2016, their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Basis for Opinion

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

Key Audit Matters

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

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

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

a) Revenue recognition from sales of goods

Revenue from sales is considered to be a significant account of the Group because the amount of revenue recorded directly impact the Group's annual profit and loss. In addition, the Group has numerous customers in various businesses and categories which have different commercial terms and conditions. Moreover, global prices of steel, the Group's major raw material, have been fluctuating in accordance with economic conditions and directly affect the value of the Group's sales. I have therefore focused on the recognition of revenue from sales of the Group.

I have examined the revenue recognition of the Group by assessing and testing the Group's internal controls with respect to the revenue cycle by making enquiry of

responsible executives, gaining an understanding of the controls and selecting representative samples to test the operation of the designed controls. On a sampling basis, I also examined supporting documents for sales transactions occurring during the year and near the end of the accounting period to assess whether revenue recognition was consistent with the conditions of commercial terms, and whether it was in compliance with the Group's policy. I reviewed credit notes that the Group issued after the period-end. I also performed analytical procedures on disaggregated data to detect possible irregularities in sales transactions throughout the period, particularly for accounting entries made through journal vouchers.

b) Inventory

Estimating the net realisable value of inventory, as disclosed Note 9 to the financial statements, is an area of significant management judgment, particularly with regard to the estimation of provision for diminution in the value of inventory with a net realisable value that is lower than cost. Fluctuations in raw material prices in global markets, the competitive environment, economic circumstances and the situation within the industry are factors that affect costs of production and selling prices. There are therefore risks with respect to provision for diminution in the value of inventory.

I assessed and tested the internal controls of the Group relevant to the determination of provision for diminution in the value of inventory by making enquiry of responsible executives, gaining an understanding of the controls and selecting representative samples to test the operation of the designed controls. In addition, I also assessed the method and the assumptions applied by management in determining such provision. The procedures that I gain an understanding of the basis applied in determining the provision for diminution in value of inventory and reviewing the consistency of the application of that basis, and the rationale for the recording of provisions. I compare the inventory holding periods and inventory movements to

identify product lines with indicators of lower than normal inventory turnover and compare net proceeds from sales transactions occurring after the date of the financial statements with the cost of inventory.

Other Information

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

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

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

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

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

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

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters

related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report

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

The engagement partner on the audit resulting in this independent auditor's report is Mrs. Chonlaros Suntiasvaraporn.



Mrs. Chonlaros Suntiasvaraporn
Certified Public Accountant (Thailand) No. 4523
EY Office Limited
Bangkok: 22 February 2017

Pacific Pipe Public Company Limited and its subsidiaries

Statement of financial position

As at 31 December 2016

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Assets					
Current assets					
Cash and cash equivalents	7	445,931,683	440,929,460	294,716,470	264,893,175
Trade and other receivables	8	605,936,650	556,109,485	520,612,968	502,082,505
Inventories	9	1,149,040,673	847,111,124	1,120,294,926	836,443,405
Advance for raw material		92,742,860	52,846	92,742,860	52,846
Other current assets		10,476,265	18,368,673	8,723,477	16,847,287
Total current assets		2,304,128,131	1,862,571,588	2,037,090,701	1,620,319,218
Non-current assets					
Investments in subsidiaries	10	-	-	11,996,100	11,996,100
Property, plant and equipment	11	1,375,447,231	1,423,115,034	1,312,669,756	1,380,871,146
Intangible assets	12	25,268,672	27,471,839	25,238,250	27,429,995
Deferred tax assets	19	2,521,543	4,544,365	-	-
Other non-current assets		499,700	125,127	373,773	-
Total non-current assets		1,403,737,146	1,455,256,365	1,350,277,879	1,420,297,241
Total assets		3,707,865,277	3,317,827,953	3,387,368,580	3,040,616,459
Liabilities and shareholders' equity					
Current liabilities					
Short-term loans from financial institutions	13	866,474,127	580,265,478	866,474,127	580,265,478
Trade and other payables	14	179,594,885	151,038,906	172,987,498	153,705,559
Current portion of long-term loan	15	-	67,833,333	-	67,833,333
Income tax payable		31,446,127	6,039,729	24,995,076	-
Other current liabilities		22,372,372	23,994,573	19,596,193	20,656,059
Total current liabilities		1,099,887,511	829,172,019	1,084,052,894	822,460,429
Non-current liabilities					
Long-term loan from related party	6	-	100,000,000	-	100,000,000
Long-term loan from financial institution, net of current portion	15	-	339,166,667	-	339,166,667
Deferred tax liabilities	19	21,008,569	9,199,179	21,008,569	9,199,179
Provision for long-term employee benefits	16	29,986,699	29,685,694	23,478,530	23,742,536
Total non-current liabilities		50,995,268	478,051,540	44,487,099	472,108,382
Total liabilities		1,150,882,779	1,307,223,559	1,128,539,993	1,294,568,811

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

Pacific Pipe Public Company Limited and its subsidiaries

Statement of financial position (continued)

As at 31 December 2016

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		31 December 2016	31 December 2015	31 December 2016	31 December 2015
Shareholders' equity					
Share capital					
Registered					
660,000,000 ordinary shares of Baht 1 each		660,000,000	660,000,000	660,000,000	660,000,000
Issued and fully paid up					
660,000,000 ordinary shares of Baht 1 each		660,000,000	660,000,000	660,000,000	660,000,000
Share premium					
Share premium on ordinary shares		514,845,000	514,845,000	514,845,000	514,845,000
Surplus on treasury shares		1,010,911	1,010,911	1,010,911	1,010,911
Retained earnings					
Appropriated - statutory reserve	17	67,000,000	67,000,000	67,000,000	67,000,000
Unappropriated		1,314,126,587	767,748,483	1,015,972,676	503,191,737
Total shareholders' equity		2,556,982,498	2,010,604,394	2,258,828,587	1,746,047,648
Total liabilities and shareholders' equity		3,707,865,277	3,317,827,953	3,387,368,580	3,040,616,459

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

Pacific Pipe Public Company Limited and its subsidiaries

Statement of comprehensive income

For the year ended 31 December 2016

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2016	2015	2016	2015
Profit or loss:					
Revenues					
Sales and service income	6	6,993,961,064	6,474,997,759	6,933,157,564	6,403,770,694
Exchange gains		-	6,533,324	-	6,385,982
Dividend income	10	-	-	34,084,370	30,264,316
Other income		156,408,670	134,057,752	154,592,905	132,193,635
Total revenues		7,150,369,734	6,615,588,835	7,121,834,839	6,572,614,627
Expenses					
Cost of sales and services		6,021,304,759	6,202,993,222	6,030,392,852	6,185,403,041
Selling expenses		147,176,891	135,775,872	189,300,944	181,537,300
Administrative expenses		296,530,429	239,392,324	269,470,351	218,520,585
Exchange losses		2,283,221	-	2,272,559	-
Total expenses		6,467,295,300	6,578,161,418	6,491,436,706	6,585,460,926
Profit (loss) before finance cost					
and income tax expenses		683,074,434	37,427,417	630,398,133	(12,846,299)
Finance cost		(33,388,519)	(50,527,092)	(32,685,586)	(49,889,440)
Profit (loss) before income tax expenses		649,685,915	(13,099,675)	597,712,547	(62,735,739)
Income tax expenses	19	(103,307,811)	(29,889,750)	(84,931,608)	(13,749,123)
Profit (loss) for the year		546,378,104	(42,989,425)	512,780,939	(76,484,862)
Other comprehensive income:					
Other comprehensive income not to be reclassified to profit or loss in subsequent periods					
Actuarial loss	16	-	(4,065,453)	-	(3,400,505)
Less: Income tax effect	19	-	813,091	-	680,101
Other comprehensive income for the year		-	(3,252,362)	-	(2,720,404)
Total comprehensive income for the year		546,378,104	(46,241,787)	512,780,939	(79,205,266)
Basic earnings per share					
Profit (loss) for the year	20	0.83	(0.07)	0.78	(0.12)

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

Pacific Pipe Public Company Limited and its subsidiaries
Statement of changes in shareholders' equity
For the year ended 31 December 2016

(Unit: Baht)

	Consolidated financial statements					Total shareholders' equity
	Issued and fully paid-up share capital	Share premium	Surplus on treasury shares	Retained earnings	Unappropriated	
Balance as at 1 January 2015	660,000,000	514,845,000	1,010,911	67,000,000	919,605,890	2,162,461,801
Loss for the year	-	-	-	-	(42,989,425)	(42,989,425)
Other comprehensive income for the year	-	-	-	-	(3,252,362)	(3,252,362)
Total comprehensive income for the year	-	-	-	-	(46,241,787)	(46,241,787)
Dividend paid (Note 23)	-	-	-	-	(105,615,620)	(105,615,620)
Balance as at 31 December 2015	660,000,000	514,845,000	1,010,911	67,000,000	767,748,483	2,010,604,394
Balance as at 1 January 2016	660,000,000	514,845,000	1,010,911	67,000,000	767,748,483	2,010,604,394
Profit for the year	-	-	-	-	546,378,104	546,378,104
Balance as at 31 December 2016	660,000,000	514,845,000	1,010,911	67,000,000	1,314,126,587	2,556,982,498
						-

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

Pacific Pipe Public Company Limited and its subsidiaries
Statement of changes in shareholders' equity (continued)
For the year ended 31 December 2016

	Separate financial statements						(Unit: Baht)
	Issued and fully paid-up share capital	Share premium	Surplus on treasury shares	Retained earnings		Total shareholders' equity	
				Appropriated	Unappropriated		
Balance as at 1 January 2015	660,000,000	514,845,000	1,010,911	67,000,000	687,996,939	1,930,852,850	
Loss for the year	-	-	-	-	(76,484,862)	(76,484,862)	
Other comprehensive income for the year	-	-	-	-	(2,720,404)	(2,720,404)	
Total comprehensive income for the year	-	-	-	-	(79,205,266)	(79,205,266)	
Dividend paid (Note 23)	-	-	-	-	(105,599,936)	(105,599,936)	
Balance as at 31 December 2015	660,000,000	514,845,000	1,010,911	67,000,000	503,191,737	1,746,047,648	
Balance as at 1 January 2016	660,000,000	514,845,000	1,010,911	67,000,000	503,191,737	1,746,047,648	
Profit for the year	-	-	-	-	512,780,939	512,780,939	
Balance as at 31 December 2016	660,000,000	514,845,000	1,010,911	67,000,000	1,015,972,676	2,258,828,587	

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

Pacific Pipe Public Company Limited and its subsidiaries

Cash flow statement

For the year ended 31 December 2016

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Cash flows from operating activities				
Profit (loss) before tax	649,685,915	(13,099,675)	597,712,547	(62,735,739)
Adjustments to reconcile profit (loss) before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	128,092,369	118,864,967	118,872,785	110,519,700
Bad debts	12,973,531	-	1,563,937	-
Allowance for doubtful accounts (reversal)	(10,908,466)	2,781,901	(229,352)	2,264,649
Reversal of inventory to net realisable value	(21,535,226)	(42,578,209)	(21,535,226)	(42,578,209)
Reversal of allowance for impairment of advance of raw material	(9,086,109)	-	(9,086,109)	-
Loss (gain) on write-off/disposals of equipment	20,578,298	(108,491)	20,595,276	(108,501)
Loss on write-off of intangible asset	546,000	-	546,000	-
Provision for long-term employee benefits	2,956,620	3,017,556	2,391,609	2,475,248
Unrealised loss on exchange	1,875,548	18,617	1,875,548	37,950
Dividend income	-	-	(34,084,370)	(30,264,316)
Interest income	(1,898,329)	(1,517,868)	(1,352,070)	(1,034,542)
Interest expenses	30,693,659	48,270,676	30,693,659	48,247,842
Profit from operating activities before changes in operating assets and liabilities	803,973,810	115,649,474	707,964,234	26,824,082
Operating assets (increase) decrease				
Trade and other receivables	(51,847,592)	20,028,835	(19,820,410)	37,712,970
Inventories	(280,394,323)	770,096,034	(262,316,295)	764,686,603
Advance for raw material	(83,603,905)	3,171,431	(83,603,905)	3,171,431
Other current assets	7,517,835	4,185,751	7,750,037	4,720,042
Operating liabilities increase (decrease)				
Trade and other payables	28,628,316	50,507,995	19,354,275	41,451,954
Other current liabilities	(1,622,202)	7,551,508	(1,059,866)	6,473,482
Other non-current liabilities	(2,655,615)	(800,000)	(2,655,615)	(800,000)
Cash flows from operating activities	419,996,324	970,391,028	365,612,455	884,240,564
Cash paid for interest expenses	(30,765,995)	(48,500,443)	(30,765,995)	(48,477,609)
Cash paid for corporate income tax	(64,069,201)	(19,773,492)	(48,127,142)	(2,630,792)
Net cash flows from operating activities	325,161,128	902,117,093	286,719,318	833,132,163

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

Pacific Pipe Public Company Limited and its subsidiaries
Cash flow statement (continued)
For the year ended 31 December 2016

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Cash flows from investing activities				
Acquisition of plant and equipment	(99,345,711)	(84,287,616)	(69,603,941)	(73,897,219)
Acquisition of intangible assets	(95,000)	(175,000)	(95,000)	(175,000)
Dividend income	-	-	34,084,370	30,264,316
Interest income	1,898,329	1,517,868	1,352,071	1,034,542
Capitalised interest as cost of assets	-	(1,716,825)	-	(1,716,825)
Proceeds from sales of equipment	95,014	1,222,936	78,014	1,222,936
Net cash flows used in investing activities	<u>(97,447,368)</u>	<u>(83,438,637)</u>	<u>(34,184,486)</u>	<u>(43,267,250)</u>
Cash flows from financing activities				
Increase (decrease) in short-term loans				
from financial institutions	284,288,463	(809,812,760)	284,288,463	(809,812,760)
Repayment of long-term loan from related party	(100,000,000)	-	(100,000,000)	-
Cash receipt from long-term loans from financial institution	-	206,000,000	-	206,000,000
Repayment of long-term loan from financial institution	(407,000,000)	-	(407,000,000)	-
Dividend paid	-	(105,615,620)	-	(105,599,936)
Net cash flows used in financing activities	<u>(222,711,537)</u>	<u>(709,428,380)</u>	<u>(222,711,537)</u>	<u>(709,412,696)</u>
Net increase in cash and cash equivalents	<u>5,002,223</u>	<u>109,250,076</u>	<u>29,823,295</u>	<u>80,452,217</u>
Cash and cash equivalents at beginning of year	440,929,460	331,679,384	264,893,175	184,440,958
Cash and cash equivalents at end of year	<u>445,931,683</u>	<u>440,929,460</u>	<u>294,716,470</u>	<u>264,893,175</u>

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

Pacific Pipe Public Company Limited and its subsidiaries

Notes to consolidated financial statements

For the year ended 31 December 2016

1. General information

Pacific Pipe Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. Its major shareholder is Tang Mong Seng Holding Company Limited, which was incorporated in Thailand. The Company is principally engaged in manufacturing and distribution of steel pipes for construction work. The registered office of the Company is at 298, 298/2, Soi Klabcharoen, Suksawat Road, Tambon Pakklongbangplakod, Amphur Phrasamutjedi, Samutprakarn.

2 Basis of preparation

- 2.1 The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Professions Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 28 September 2011, issued under the Accounting Act B.E. 2543.

The financial statements in Thai language are the official statutory financial statements of the Company. The financial statements in English language have been translated from the Thai language financial statements.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

2.2 Basis of consolidation

- a) The consolidated financial statements include the financial statements of Pacific Pipe Public Company Limited (“the Company”) and the following subsidiary companies (“the subsidiaries”):

Company's name	Nature of business	Country of incorporation	Percentage of shareholding	
			<u>2016</u>	<u>2015</u>
			Percent	Percent
Tamose Trading Company Limited	Distribution of steel pipes for construction	Thailand	99.94	99.94
Meesup Transport Company Limited	Transportation	Thailand	99.97	99.97

- b) The Company is deemed to have control over an investee or subsidiaries if it has rights, or is exposed, to variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns.
- c) Subsidiaries are fully consolidated, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
- d) The financial statements of the subsidiaries are prepared using the same significant accounting policies as the Company.
- e) Material balances and transactions between the Company and its subsidiary companies have been eliminated from the consolidated financial statements.

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

3. New financial reporting standards

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

During the year, the Company and subsidiaries have adopted the revised (revised 2015) and new financial reporting standards and accounting treatment guidance issued by the Federation of Accounting Professions which become effective for fiscal years beginning on or after 1 January 2016. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards. The adoption of these financial reporting standards does not have any significant impact on the Company and its subsidiaries' financial statements.

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

During the current year, the Federation of Accounting Professions issued a number of the revised financial reporting standards and interpretations (revised 2016) which is effective for fiscal years beginning on or after 1 January 2017. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards.

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

TAS 27 (revised 2016) Separate Financial Statements

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

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

4. Significant accounting policies

4.1 Revenue recognition

Sales of goods

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

Rendering of services

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

Interest income

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

Dividends

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

4.2 Cash and cash equivalents

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

4.3 Trade accounts receivable

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

4.4 Inventories

The Company and its subsidiary presented value of finished goods at the lower of cost (under the weighted average method) and net realisable value. Cost includes all production costs, wages and attributable factory overheads.

Raw materials and factory supplies are valued at the lower of weighted average cost and net realisable value and are charged to production costs whenever consumed.

4.5 Investments

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

4.6 Property, plant and equipment/Depreciation

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

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

Land improvement	10 - 20 years
Buildings and building improvement	20 - 30 years
Machinery and factory equipment	10 - 32 years
Office equipment	3 - 5 years
Motor vehicles	5 - 10 years

Depreciation is included in determining income

No depreciation is provided on land and assets under construction.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset is included in profit or loss when the asset is derecognised.

4.7 Borrowing costs

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

4.8 Intangible assets

Intangible assets with finite lives are amortised on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method of such intangible assets are reviewed at least at each financial year end. The amortisation expense is charged to profit or loss.

A summary of the intangible assets with finite useful lives is as follows:

	<u>Useful lives</u>
Computer software	10 years

4.9 Related party transactions

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

They also include associated companies and individuals which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors, and officers with authority in the planning and direction of the Company's operations.

4.10 Foreign currencies

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

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

Gains and losses on exchange are included in determining income.

4.11 Impairment of assets

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

An impairment loss is recognised in profit or loss.

4.12 Employee benefits

Short-term employee benefits

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

Post-employment benefits

Defined contribution plans

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

Defined benefit plan

The Company and its subsidiaries have obligations in respect of the severance payments it must make to employees upon retirement under labor law. The Company and its subsidiaries treat these severance payment obligations as a defined benefit plan.

The obligation under the defined benefit plan is determined by a professionally qualified independent actuary based on actuarial techniques, using the projected unit credit method.

Actuarial gains and losses arising from post-employment benefits are recognised immediately in other comprehensive income.

4.13 Provisions

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

4.14 Income tax

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

Current tax

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

Deferred tax

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

The Company and its subsidiaries recognise deferred tax liabilities for all taxable temporary differences while they recognise deferred tax assets for all deductible temporary differences and tax losses carried forward to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and tax losses carried forward can be utilised.

At each reporting date, the Company and its subsidiaries review and reduce the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

The Company and its subsidiaries record deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

4.15 Fair value measurement

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

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

Level 1 - Use of quoted market prices in an 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 Company and its subsidiaries determine whether transfers have occurred between levels within the fair value hierarchy for assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis.

5. Significant accounting judgements and estimates

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

Reduction of inventory cost to net realisable value

In determining a reduction of inventory cost to net realisable value, the management makes judgement and estimates the net realisable value of inventory based on the amount of the inventories are expected to realise. These estimates take into consideration fluctuations of selling price or cost directly relating to events occurring after the end of the reporting period. Also, the management makes judgment and estimates the expected loss from stock obsolescence based upon aging profile of inventories and the prevailing economic condition.

Property, plant and equipment/Depreciation

In determining depreciation of plant and equipment, the management is required to make estimates of the useful lives and residual values of the plant and equipment and to review estimate useful lives and residual values when there are any changes.

In addition, the management is required to review property, plant and equipment for impairment on a periodical basis and record impairment losses when it is determined that their recoverable amount is lower than the carrying amount. This requires judgements regarding forecast of future revenues and expenses relating to the assets subject to the review.

Post-employment benefits under defined benefit plans

The obligation under the defined benefit plan is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate and staff turnover rate.

6. Related party transactions

During the years, the Company and its subsidiaries had significant business transactions with related parties. Such transactions, which are summarised below, arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Company and those related parties.

(Unit: Million Baht)

	For the years ended 31 December				
	Consolidated		Separate		
	financial		financial		
	statements		statements		Transfer Pricing Policy
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	
<u>Transactions with subsidiary companies</u>					
(eliminated from the consolidated financial statements)					
Sales of goods	-	-	3,285	2,977	Reference to market price
Purchases of goods	-	-	-	13.7	Reference to market price
Purchases of fixed assets	-	-	-	0.7	Reference to market price
Rental income	-	-	0.7	0.7	Contract price
Service income	-	-	0.8	0.8	Contract price
Commission paid	-	-	68	66	Contract price
Transportation expenses	-	-	98	91	Reference to market price
<u>Transactions with related parties</u>					
Interest expenses	4.3	5.1	4.3	5.1	MLR - 2.4 percent per annum
Office rental and service expenses	3.6	3.2	-	-	Contract price
Land rental	4.8	4.7	4.8	4.7	Contract price

The balances of the accounts as at 31 December 2016 and 2015 between the Company and those related parties are as follows:

	Consolidated		Separate	
	financial statements		financial statements	
	2016	2015	2016	2015
<u>Trade receivable - related party (Note 8)</u>				
Tamose Trading Company Limited	-	-	172,474	165,285
Total trade receivable - related party	-	-	172,474	165,285
<u>Other receivables - related parties (Note 8)</u>				
Tamose Trading Company Limited	-	-	2,079	-
Meesup Transport Company Limited	-	-	32	-
Total other receivables - related parties	-	-	2,111	-
<u>Other payables - related parties (Note 14)</u>				
Tamose Trading Company Limited	-	-	7,694	11,874
Meesup Transport Company Limited	-	-	3,982	3,269
Total other payables - related parties	-	-	11,676	15,143

Loans from related party

As at 31 December 2016 and 2015, the balance of long-term loan from related company and the movement is as follow:

(Unit: Thousand Baht)					
Consolidated financial statements / Separate financial statements					
Long-term loan	Related by	Balance as at	Movement during the year		Balance as at
		31 December 2015	Increase	Decrease	31 December 2016
Tang Mong Seng Holding Company Limited	Major shareholder	100,000	-	(100,000)	-

Long-term loan represented loan that the Company borrowed from Tang Mong Seng Holding Company Limited, carrying interest at a rate of MLR - 2.4 percent per annum (MLR of a commercial bank). This loan is unsecured and due for repayment in July 2018. The Company made full repayment this loan in the current year, prior to maturity.

Directors and management's benefits

During the years ended 31 December 2016 and 2015, the Company had employee benefit expenses payable to its directors and management as below.

(Unit: Thousand Baht)		
Consolidated / Separate financial statements		
	31 December 2016	31 December 2015
Short-term employee benefits	63,523	31,307
Post-employment benefits	987	1,066
Total	64,510	32,373

Guarantee obligations with related party

The Company has outstanding guarantee obligations with its related party, as described in Note 24.4 to the financial statements.

7. Cash and cash equivalents

(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements
	2016	2015	2016
Cash	268	260	165
Bank deposits	445,664	440,669	294,551
Total	445,932	440,929	294,716

As at 31 December 2016, bank deposits in saving accounts carried interests at the rate of 0.5 percent per annum (2015: 0.375 percent per annum).

8. Trade and other receivables

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2016	2015	2016	2015
<u>Trade receivable - related party</u>				
Aged on the basis of due dates				
Not yet due	-	-	172,474	156,255
Past due				
Up to 3 months	-	-	-	9,030
Total trade receivable - related party (Note 6)	-	-	172,474	165,285
<u>Trade receivables - unrelated parties</u>				
Aged on the basis of due dates				
Not yet due	469,580	423,096	265,377	241,578
Past due				
Up to 3 months	127,603	103,281	76,691	68,224
3 - 6 months	7,557	7,841	3,174	7,313
6 - 12 months	1,130	21,389	119	19,146
Over 12 months	16,404	27,748	10,905	11,004
Total	622,274	583,355	356,266	347,265
Less: Allowance for doubtful debts	(16,337)	(27,246)	(10,238)	(10,467)
Total trade receivables - unrelated parties, net	605,937	556,109	346,028	336,798
Total trade receivables - net	605,937	556,109	518,502	502,083
<u>Other receivables</u>				
Other receivables - related parties (Note 6)	-	-	2,111	-
Total other receivables	-	-	2,111	-
Total trade and other receivables-net	605,937	556,109	520,613	502,083

9. Inventories

(Unit: Thousand Baht)

Consolidated financial statements						
	Cost		Reduce cost to net realisable value		Inventories-net	
	2016	2015	2016	2015	2016	2015
Finished goods	692,531	541,750	(4,521)	(18,152)	688,010	523,598
Raw materials	437,989	306,330	(308)	(8,213)	437,681	298,117
Factory supplies and others	23,350	22,733	-	-	23,350	22,733
Goods in transit	-	2,663	-	-	-	2,663
Total	1,153,870	873,476	(4,829)	(26,365)	1,149,041	847,111

(Unit: Thousand Baht)

Separate financial statements						
	Cost		Reduce cost to net realisable value		Inventories-net	
	2016	2015	2016	2015	2016	2015
Finished goods	663,785	533,745	(4,521)	(18,152)	659,264	515,593
Raw materials	437,989	306,330	(308)	(8,213)	437,681	298,117
Factory supplies and others	23,350	22,733	-	-	23,350	22,733
Total	1,125,124	862,808	(4,829)	(26,365)	1,120,295	836,443

During the current year, the Company reversed the write-down of cost of inventories by Baht 21.5 million and reduced the amount of inventories recognised as expenses during the year. (2015: Baht 42.6 million).

10. Investments in subsidiaries

Details of investments in subsidiaries as presented in separate financial statements are as follows:

(Unit: Thousand Baht)

Company's name	Paid-up capital		Shareholding percentage		Cost		Dividend received during the year	
	2016	2015	2016	2015	2016	2015	2016	2015
			(%)	(%)				
Tamose Trading Company Limited	1,000	1,000	99.94	99.94	999	999	17,989	21,987
Meesup Transport Company Limited	9,200	9,200	99.97	99.97	10,997	10,997	16,095	8,277
Total					11,996	11,996	34,084	30,264

11. Property, plant and equipment

(Unit: Thousand Baht)

Consolidated financial statements								
	Land	Land improvement	Buildings and building improvement	Machinery and factory equipment	Office equipment	Motor vehicles	Assets under construction	Total
Cost:								
1 January 2015	236,124	11,790	565,255	1,209,919	72,404	131,153	332,340	2,558,985
Additions	-	-	-	9,983	2,648	13,638	58,018	84,287
Transfers in (out)	16,136	-	201,345	120,242	3,495	840	(342,058)	-
Transfers to intangible asse	-	-	-	-	-	-	(360)	(360)
Capitalised interest	-	-	1,717	-	-	-	-	1,717
Disposals/write-off	-	-	-	(1,226)	(554)	(26)	-	(1,806)
31 December 2015	252,260	11,790	768,317	1,338,918	77,993	145,605	47,940	2,642,823
Additions	-	-	-	4,553	3,030	30,259	61,504	99,346
Transfers in (out)	-	-	4,106	31,438	4,350	589	(40,483)	-
Transfers to intangible assets	-	-	-	-	-	-	(3,121)	(3,121)
Disposals/write-off	-	-	-	(261)	(533)	-	(20,635)	(21,429)
31 December 2016	252,260	11,790	772,423	1,374,648	84,840	176,453	45,205	2,717,619
Accumulated depreciation:								
1 January 2015	-	2,039	279,627	696,048	58,531	70,203	-	1,106,448
Depreciation for the year	-	694	32,575	62,454	7,860	10,369	-	113,952
Depreciation on disposals/ write-off	-	-	-	(122)	(544)	(26)	-	(692)
31 December 2015	-	2,733	312,202	758,380	65,847	80,546	-	1,219,708
Depreciation for the year	-	694	36,990	66,283	7,807	11,445	-	123,219
Depreciation on disposals/ write-off	-	-	-	(239)	(516)	-	-	(755)
31 December 2016	-	3,427	349,192	824,424	73,138	91,991	-	1,342,172
Net book value:								
31 December 2015	252,260	9,057	456,115	580,538	12,146	65,059	47,940	1,423,115
31 December 2016	252,260	8,363	423,231	550,224	11,702	84,462	45,205	1,375,447
Depreciation for the year								
2015 (Baht 85.13 million included in manufacturing cost, and the balance in selling and administrative expenses)								113,952
2016 (Baht 93.27 million included in manufacturing cost, and the balance in selling and administrative expenses)								123,219

11. Property, plant and equipment (continued)

(Unit: Thousand Baht)

	Separate financial statements							
			Buildings	Machinery				
	Land	Land	and building	and factory	Office	Motor	Assets under	
	Land	improvement	improvement	equipment	equipment	vehicles	construction	Total
Cost:								
1 January 2015	236,124	11,790	563,054	1,209,919	61,250	40,371	332,341	2,454,849
Additions	-	-	-	9,983	2,533	3,363	58,018	73,897
Transfers in (out)	16,136	-	201,345	120,242	3,495	840	(342,418)	-
Transfers to intangible assets	-	-	-	-	-	-	(360)	(360)
Capitalised interest	-	-	1,717	-	-	-	-	1,717
Disposals/write-off	-	-	-	(1,226)	(429)	-	-	(1,655)
31 December 2015	252,260	11,790	766,116	1,338,918	66,849	44,574	47,941	2,528,448
Additions	-	-	-	4,553	2,916	631	61,504	69,604
Transfers in (out)	-	-	4,106	31,438	4,350	589	(40,483)	-
Transfers to intangible assets	-	-	-	-	-	-	(3,121)	(3,121)
Disposals/write-off	-	-	-	(261)	(386)	-	(20,635)	(21,282)
31 December 2016	252,260	11,790	770,222	1,374,648	73,729	45,794	45,206	2,573,649
Accumulated depreciation:								
1 January 2015	-	2,039	279,400	696,048	48,754	16,254	-	1,042,495
Depreciation for the year	-	694	32,465	62,454	7,440	2,570	-	105,623
Depreciation on disposals/ write-off	-	-	-	(122)	(419)	-	-	(541)
31 December 2015	-	2,733	311,865	758,380	55,775	18,824	-	1,147,577
Depreciation for the year	-	694	36,880	66,283	7,435	2,719	-	114,011
Depreciation on disposals/ write-off	-	-	-	(239)	(370)	-	-	(609)
31 December 2016	-	3,427	348,745	824,424	62,840	21,543	-	1,260,979
Net book value:								
31 December 2015	252,260	9,057	454,251	580,538	11,074	25,750	47,941	1,380,871
31 December 2016	252,260	8,363	421,477	550,224	10,889	24,251	45,206	1,312,670
Depreciation for the year								
2015 (Baht 85.13 million included in manufacturing cost, and the balance in selling and administrative expenses)								105,623
2016 (Baht 93.27 million included in manufacturing cost, and the balance in selling and administrative expenses)								114,011

As at 31 December 2016, certain items of equipment were fully depreciated but are still in use. The gross carrying amount before deducting accumulated depreciation of those assets amounted to approximately Baht 464 million (2015: Baht 386 million) (the Company only; 2016: Baht 424 million, 2015: Baht 354 million).

12. Intangible assets

The net book value of intangible assets as at 31 December 2016 and 2015 is presented below.

(Unit: Thousand Baht)						
	Consolidated financial statements			Separate financial statements		
	System			System		
	Computer software	development under process	Total	Computer software	development under process	Total
As at 31 December 2016						
Cost	55,632	-	55,632	55,225	-	55,225
Less Accumulated amortisation	(30,363)	-	(30,363)	(29,987)	-	(29,987)
Net book value	<u>25,269</u>	<u>-</u>	<u>25,269</u>	<u>25,238</u>	<u>-</u>	<u>25,238</u>
As at 31 December 2015						
Cost	52,416	546	52,962	52,009	546	52,555
Less Accumulated amortisation	(25,490)	-	(25,490)	(25,125)	-	(25,125)
Net book value	<u>26,926</u>	<u>546</u>	<u>27,472</u>	<u>26,884</u>	<u>546</u>	<u>27,430</u>

A reconciliation of the net book value of intangible assets for the years 2016 and 2015 is presented below.

	(Unit: Thousand Baht)			
	Consolidate		Separate	
	financial statements		financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Net book value at beginning of year	27,472	31,850	27,430	31,792
Acquisition of computer software	95	175	95	175
Transfer from property, plant and equipment	3,121	360	3,121	360
Write - off	(546)	-	(546)	-
Amortisation	(4,873)	(4,913)	(4,862)	(4,897)
Net book value at end of year	25,269	27,472	25,238	27,430

13. Short-term loans from financial institutions

(Unit: Thousand Baht)			
	Interest rate (Percent per annum)	Consolidated / Separate financial statements	
		31 December 2016	31 December 2015
Short-term loans from financial institutions	2.40 - 2.53	777,162	575,262
Trust receipt	2.07 - 2.25	89,312	5,003
		<u>866,474</u>	<u>580,265</u>

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

As at 31 December 2016, the credit facilities of the Company and its subsidiaries which have not yet been drawn down amounted to Baht 4,262 million (2015: Baht 5,300 million).

14. Trade and other payables

(Unit: Thousand Baht)				
	Consolidated		Separate	
	financial statements		financial statements	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Trade payables - unrelated parties	54,683	94,244	51,726	89,926
Other payables - related parties (Note 6)	-	-	11,676	15,143
Other payables - unrelated parties	43,357	34,316	41,786	32,662
Accrued expenses	81,555	22,479	67,799	15,975
Total trade and other payables	<u>179,595</u>	<u>151,039</u>	<u>172,987</u>	<u>153,706</u>

15. Long-term loans from financial institution

			(Unit: Thousand Baht)	
			Consolidated financial statements/ Separate financial statements	
Loan	Interest rate (%)	Repayment schedule	2016	2015
1	MLR - 2.4	Monthly installment as from January 2016	-	407,000
Less: Portion due within one year			-	(67,833)
Long-term loans - net of current portion			-	339,167

During the year, the Company made full repayment this loan prior to maturity date totaling of Baht 407 million without any charges.

16. Provision for long-term employee benefits

Provision for long-term employee benefits, which represents compensation payable to employee after they retire from the Company and its subsidiaries, was as follows:

					(Unit: Thousand Baht)	
					Consolidated financial statements	Separate financial statements
					2016	2015
					2016	2015
Provision for long-term employee benefits at beginning of year					29,686	23,403
Included in profit or loss:						
Current service cost					2,117	2,032
Interest cost					840	986
Included in other comprehensive income:						
Actuarial loss arising from						
Demographic assumptions changes					-	213
Financial assumptions changes					-	2,751
Experience adjustments					-	1,101
Benefits paid during the year					(2,656)	(800)
Provision for long-term employee benefits at end of year					29,987	29,686

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

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2016	2015	2016	2015
Cost of sales	549	558	549	558
Selling and administrative expenses	2,408	2,460	1,843	1,917
Total expenses recognised in profit or loss	2,957	3,018	2,392	2,475

The Company and its subsidiaries expect to make no payment of long-term employee benefits during the next year (2015: Baht 2.7 million, separate financial statements: Baht 2.7 million).

As at 31 December 2016, the weighted average duration of the liabilities for long-term employee benefit is 16 years (Separate financial statements: 16 years) (31 December 2015: 16 years, separate financial statements: 16 years).

Significant actuarial assumptions are summarised below:

	Consolidated financial statements/ Separate financial statements	
	2016	2015
	(% per annum)	(% per annum)
Discount rate	3.1	3.1
Future salary increase rate	3 - 9	3 - 9
Staff turnover rate (depending on age)	0 - 40	0 - 40

The result of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligation as at 31 December 2016 and 2015 are summarised below:

	(Unit: million Baht)			
	As at 31 December 2016			
	Consolidated		Separate	
	financial statements		financial statements	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
Discount rate	(2.4)	2.8	(1.8)	2.1
Salary increase rate	3.1	(2.7)	2.4	(2.1)

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

(Unit: million Baht)

As at 31 December 2015

	Consolidated financial statements		Separate financial statements	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
Discount rate	(2.3)	2.7	(1.8)	2.1
Salary increase rate	2.7	(2.3)	2.1	(1.8)

(Unit: million Baht)

	Consolidated financial statements		Separate financial statements	
	Increase 20%	Decrease 20%	Increase 20%	Decrease 20%
Staff turnover rate	(1.5)	1.9	(1.2)	1.5

17. Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside to a statutory reserve at least 5 percent of its net profit after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of the registered capital. The statutory reserve is not available for dividend distribution. At present, the statutory reserve has fully been set aside.

18. Expenses by nature

Significant expenses classified by nature are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Salaries and wages and other employee benefits	373,524	285,280	295,732	234,325
Depreciation and amortisation expenses	128,092	118,865	118,873	110,520
Transportation expenses	33,497	33,223	113,309	107,971
Commission expenses	3,300	3,857	68,915	67,489
Raw materials and consumables used	5,857,444	5,637,321	5,857,444	5,637,321
Changes in inventories of finished goods	(150,604)	281,557	(130,080)	274,561

19. Income tax

Income tax expenses for the years ended 31 December 2016 and 2015 are made up as follows:

	Consolidated		(Unit: Thousand Baht)	
			Separate	
	financial statements		financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current income tax:				
Current income tax charge	89,476	16,353	73,123	-
Adjustment in respect of income tax of previous year	-	5	-	5
Deferred tax:				
Relating to origination and reversal of temporary differences	<u>13,832</u>	<u>13,532</u>	<u>11,809</u>	<u>13,744</u>
Income tax expenses reported in the statement of comprehensive income	<u>103,308</u>	<u>29,890</u>	<u>84,932</u>	<u>13,749</u>

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2016 and 2015 are as follows:

	Consolidated		(Unit: Thousand Baht)	
			Separate	
	financial statements		financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Deferred tax relating to actuarial losses	<u>-</u>	<u>813</u>	<u>-</u>	<u>680</u>

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

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2016	2015	2016	2015
Accounting profit (loss) before tax	649,686	(13,100)	597,713	(62,736)
Applicable tax rate	20%	20%	20%	20%
Accounting profit (loss) before tax multiplied by income tax rate	129,937	(2,620)	119,543	(12,547)
Utilisation of previous unrecognised tax losses as deferred tax assets	(32,166)	-	(32,166)	-
Tax loss for the year which unrecognised to deferred tax asset	-	32,166	-	32,166
Effects of:				
Non-deductible expenses	7,053	283	4,663	191
Additional expense deductions allowed	(1,230)	(13)	(39)	(13)
Dividend income from subsidiaries	-	-	(6,817)	(6,053)
Others	(286)	74	(252)	5
Total	5,537	344	(2,445)	(5,870)
Income tax expenses reported in the statement of comprehensive income	103,308	29,890	84,932	13,749

The components of deferred tax assets and deferred tax liabilities are as follows:

(Unit: Thousand Baht)

	Statements of financial position			
	Consolidated financial		Separate financial	
	statements		statements	
	As at	As at	As at	As at
	31	31	31	31
	December	December	December	December
	2016	2015	2016	2015
Deferred tax assets				
Allowance for doubtful accounts	3,267	5,449	2,048	2,093
Allowance for diminution in value of inventories	966	5,273	966	5,273
Allowance for advance for raw material	1,782	3,600	1,782	3,600
Provision for long-term employee benefits	5,998	5,937	4,695	4,749
Total	12,013	20,259	9,491	15,715
Deferred tax liabilities				
Difference depreciation between tax and accounting base	30,500	24,914	30,500	24,914
Total	30,500	24,914	30,500	24,914
Presentation in the statements of financial position				
Deferred tax assets	2,522	4,544	-	-
Deferred tax liabilities	(21,009)	(9,199)	(21,009)	(9,199)
Total	(18,487)	(4,655)	(21,009)	(9,199)

20. Earnings per share

Basic earnings per share is calculated by dividing profit for the year (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year.

21. Segment information

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance. The chief operating decision maker has been identified as Managing Director.

The one main reportable operating segment of the Company and its subsidiaries is the manufacture and distribution of steel pipes for construction work for both domestic and export markets and the single geographical area of their operations is Thailand. Segment performance is measured based on operating profit or loss, on a basis consistent with that used to measure operating profit or loss in the financial statements. As a result, all of the revenues, operating profits and assets as reflected in these financial statements pertain to the aforementioned reportable operating segment and geographical area.

For the year ended 31 December 2016, export sales of the Company and its subsidiaries represented approximately 1.3 percent (31 December 2015: 1.6 percent) of total sales. The export sales of the Company only for year then ended represented approximately 0.7 percent (31 December 2015: 1.4 percent) of the Company's sales.

For the year 2016 and 2015, the Company and its subsidiaries have no major customer with revenue of 10 percent or more of an entity's revenues.

22. Provident fund

The Company, its subsidiaries and their employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Employees, the Company and its subsidiaries contribute to the fund monthly at the rate of 5 percent of basic salary. The fund will be paid to employees upon termination in accordance with the fund rules. The contribution for the year 2016 amounting to approximately Baht 4.2 million (2015: Baht 3.8 million) were recognised as expense.

23. Dividends

Dividends	Approved by	Total dividends (Million Baht)	Dividend per share (Baht/share)
Final dividends for 2014	Annual General Meeting of the shareholders on 23 April 2015	105.6	0.16
Total for 2015		105.6	0.16

24. Commitments and contingent liabilities

24.1 Capital commitments

As at 31 December 2016, the Company had capital commitments of approximately Baht 71.5 million (2015: Baht 1.8 million) relating to acquisition of machine and computer system development.

24.2 Letters of credit

The Company and its subsidiaries had commitments under letters of credit with overseas suppliers amounting to approximately USD 0.9 million (2015: USD 0.08 million and Euro 0.05 million).

24.3 Operating lease commitments

The Company and its subsidiaries had entered into several lease agreements in respect of the lease of land and motor vehicles with related parties and other companies. The terms of the agreements were generally between 3 and 13 years.

Future minimum lease payments required under these non-cancellable operating leases contracts were as follows.

	(Unit: Million Baht)			
	Consolidated financial statements			
	Related parties		Unrelated parties	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Payable:				
In up to 1 year	9.2	6.6	1.5	1.5
In over 1 and up to 5 years	28.1	20.5	0.7	2.2
In over 5 year	32.0	37.6	-	-

	(Unit: Million Baht)			
	Separated financial statements			
	Related parties		Unrelated parties	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Payable:				
In up to 1 year	4.8	4.8	1.5	1.5
In over 1 and up to 5 years	21.3	20.5	0.7	2.2
In over 5 year	32.0	37.6	-	-

24.4 Guarantees

- (1) As at 31 December 2016, there were outstanding bank guarantees of approximately Baht 108 million (31 December 2015: Baht 83 million) issued by banks on behalf of the Company in respect of certain performance bonds as required in the normal course of its business. These included letters of guarantee to guarantee as follows:

	(Unit: Million Baht)	
	31 December 2016	31 December 2015
Guarantee payments due to Customs Department	92	66
Guarantee electricity use	15	15
Guarantee as a Gold Card importer and exporter to the Customs Department	-	1
Guarantee as an AEO authorised importer and/or exporter to the Customs Department	1	1

- (2) The Company guarantees credit card facility of its subsidiary company amounting to Baht 1 million (31 December 2015: Baht 1 million).
- (3) The Company guarantees bank credit facility of its subsidiary company amounting to Baht 6 million (31 December 2015: Nil)

25. Financial instruments

25.1 Financial risk management

The Company and its subsidiaries' financial instruments, as defined under Thai Accounting Standard No.107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade and other receivables, investments, accounts payable and short-term and long-term loans. The financial risks associated with these financial instruments and how they are managed is described below.

Credit risk

The Company and its subsidiaries are exposed to credit risk primarily with respect to trade and other receivables. The Company and its subsidiaries manage the risk by adopting appropriate credit control policies and procedures and therefore do not expect to incur material financial losses. In addition, the Company and its subsidiaries do not have high concentrations of credit risk since they have a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of trade and other receivables as stated in the statement of financial position.

Interest rate risk

The Company and its subsidiaries' exposure to interest rate risk relates primarily to its cash at banks, short-term and long-term borrowings. Most of the Company and its subsidiaries' financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate.

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

(Million Baht)

	As at 31 December 2016				
	Fixed	Floating	Non- interest		Effective
Consolidated financial statements	interest rates	interest rate	bearing	Total	interest rate
	within 1 year				(% per annum)
<u>Financial Assets</u>					
Cash and cash equivalent	-	446	-	446	0.5
Trade and other receivables	-	-	606	606	-
	-	446	606	1,052	
<u>Financial liabilities</u>					
Short-term loans from financial					
institutions	866	-	-	866	2.07 - 2.53
Trade and other payables	-	-	180	180	-
	866	-	180	1,046	

(Million Baht)

As at 31 December 2015					
	Fixed	Floating	Non- interest		Effective
Consolidated financial statements	interest rates	interest rate	bearing	Total	interest rate
	within 1 year				(% per annum)
<u>Financial Assets</u>					
Cash and cash equivalent	-	441	-	441	0.375
Trade and other receivables	-	-	556	556	-
	-	441	556	997	
<u>Financial liabilities</u>					
Short-term loans from financial					
institutions	580	-	-	580	2.01 - 2.59
Trade and other payables	-	-	151	151	-
Long-term loan from related party	-	100	-	100	MLR - 1.5
Long-term loans from financial					
institution	-	407	-	407	MLR - 2.4
	580	507	151	1,238	

(Million Baht)

As at 31 December 2016

	Fixed	Floating	Non- interest		Effective
Separate financial statements	interest rates	interest rate	bearing	Total	interest rate
	within 1 year				(% per annum)
<u>Financial Assets</u>					
Cash and cash equivalent	-	295	-	295	0.5
Trade and other receivables	-	-	521	521	-
	-	295	521	816	
<u>Financial liabilities</u>					
Short-term loans from financial institutions	866	-	-	866	2.07 - 2.53
Trade and other payables	-	-	173	173	
	866	-	173	1,039	

(Million Baht)

As at 31 December 2015

AS at 31 December 2019

Separate financial statements	Fixed	Floating	Non- interest	Total	Effective
	interest rates	interest rate	bearing		interest rate
	within 1 year				(% per annum)
<u>Financial Assets</u>					
Cash and cash equivalent	-	265	-	265	0.375
Trade and other receivables	-	-	502	502	-
	-	265	502	767	
<u>Financial liabilities</u>					
Short-term loans from financial institutions	580	-	-	580	2.01 - 2.59
Trade and other payables	-	-	154	154	-
Long-term loan from related party	-	100	-	100	MLR - 1.5
Long-term loans from financial institution	-	407	-	407	MLR - 2.4
	580	507	154	1,241	

Foreign currency risk

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

The Company and its subsidiary have financial assets and financial liabilities denominated in foreign currencies which mature within one year as follows:

Foreign currency	Financial assets as at 31 December		Financial liabilities as at 31 December		Average exchange rate as at 31 December	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	(Million)	(Million)	(Million)	(Million)	(Baht per 1 foreign currency unit)	
US dollar	0.30	0.03	2.50	0.20	35.7424	36.0022

Foreign exchange contracts outstanding as at 31 December 2016 were summarised below.

(Unit: Million Baht)

As at 31 December 2016			
Foreign currency	Bought amount	Contractual exchange rate bought	Contractual maturity date
	(Million)	(Baht per 1 foreign currency unit)	
US dollar	2.00	34.77 and 35.60	6 March 2017 and 22 May 2017

25.2 Fair values of financial instruments

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

26. Capital management

The primary objective of the Company's capital management is to ensure that it has appropriate capital structure in order to support its business and maximise shareholder value. As at 31 December 2016, the Group's debt-to-equity ratio was 0.45:1 (2015: 0.65:1) and the Company's was 0.50:1 (2015: 0.74:1).

27. Events after the reporting period

On 22 February 2017, the Company's Board of Directors meeting approved for payment of a dividend to the shareholders of Baht 0.99 per share, or a total of approximately Baht 653.4 million.

However, this resolution will be further proposed for the shareholders' approval in the Annual General Meeting of the shareholders for the fiscal year 2017.

28. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 22 February 2017.



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