



Independent Auditor's Report and Financial Statements of

**Sahamitr Pressure Container Public Company Limited**

For the Year Ended 31 December 2018



## INDEPENDENT AUDITOR'S REPORT

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### **To the Shareholders of Sahamitr Pressure Container Public Company Limited**

#### *Opinion*

I have audited the financial statements of Sahamitr Pressure Container Public Company Limited (the "Company"), which comprise the statement of financial position as at 31 December 2018, and the statements of profit or loss and other comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and notes to financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position as at 31 December 2018 and the 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 Company in accordance with the Federation of Accounting Professions' Code of Ethics for Professional Accountants that is relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.



### *Key audit matters*

Key audit matters are those matters that, in my professional 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.

Key audit matter	Audit response
<p><i>Allowance for decline in value of inventories</i></p> <p>As at 31 December 2018, the Company has inventories amount of Baht 880.37 million, which comprises of raw material, work in process, and finished goods.</p> <p>Steel is the main raw material of the Company's products. Steel price was a significant factor of the cost of inventories because steel has market price volatility, in the case of the fluctuation according to the market condition, this may result that the net realisable value of inventories is lower than their cost.</p> <p>The estimation of allowance for decline in value of inventories involves the management judgements for considering the inventory turnover and deterioration of each category and the change in selling price which can be subjected to market situation.</p> <p>Refer to the notes 4 and 9 to financial statements and significant accounting policies.</p>	<p>Obtain understanding the measurement of the net realizable value of inventories. I evaluated whether the measurement is appropriate and comply with the Company's accounting policy.</p> <p>Test aging of inventories and evaluate the reasonableness of assumption used to set allowance for decline in value of inventories by management. I considered the movement of inventory and recalculated the amount of allowance for decline in value of inventories by the Company's accounting policy.</p> <p>Examine the calculation of estimated net realizable value of inventories by comparing, on the test basis, the carrying cost of inventories against expected net realizable value. The net realizable is calculated from the selling price subsequent date, or the selling price in the customer's purchase order less the estimated costs necessary to make the sale.</p> <p>Consider the adequacy of disclosures in the relation to inventories in the notes to financial statements.</p>

*Other matter*

The financial statements of Sahamitr Pressure Container Public Company Limited for the year ended 31 December 2017, presented as comparative information, were audited by another auditor in the same office as mine who expressed an unmodified opinion on those statements on 14 February 2018.

*Other Information*

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

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

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

When I read the annual report, if I conclude that there is a material misstatement therein, I am required to request management and those charged with governance to correct the material 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 judgment 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the 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 Company 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 Company to express an opinion on the financial statements. I am responsible for the direction, supervision and performance of the audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance, 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.



**Mr. Teerasak Chuasrisakul**

Certified Public Accountant

Registration No. 6624

Grant Thornton Limited

Bangkok

12 February 2019

SAHAMITR PRESSURE CONTAINER PUBLIC COMPANY LIMITED  
STATEMENT OF FINANCIAL POSITION

**ASSETS**

		Thousand Baht	
	Notes	31 December 2018	31 December 2017
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	6	79,109	118,921
Short-term investment	7	90,724	-
Trade accounts receivable	8	431,717	555,481
Inventories	9	880,371	701,257
Refundable value added tax		23,302	25,118
Other current assets		17,371	13,950
<b>Total Current Assets</b>		<b>1,522,594</b>	<b>1,414,727</b>
<b>NON-CURRENT ASSETS</b>			
Restricted deposits with banks	10	36,289	36,078
Investment property	11	59,780	53,480
Property, plant and equipment	12	1,076,545	933,144
Deferred tax asset	22	9,204	10,081
Other non-current assets		432	432
<b>Total Non-Current Assets</b>		<b>1,182,250</b>	<b>1,033,215</b>
<b>TOTAL ASSETS</b>		<b>2,704,844</b>	<b>2,447,942</b>

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( ) Director

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( ) Director



SAHAMITR PRESSURE CONTAINER PUBLIC COMPANY LIMITED  
STATEMENT OF FINANCIAL POSITION

LIABILITIES AND SHAREHOLDERS' EQUITY

		Thousand Baht	
	Notes	31 December 2018	31 December 2017
<b>CURRENT LIABILITIES</b>			
Short-term loans from banks	13	543,371	297,816
Trade accounts payable		148,483	370,373
Current portion of liabilities under finance leases agreements	14	1,367	1,237
Advances received from customers		13,605	14,562
Accrued commission expenses		66,420	44,943
Accrued transportation expenses		16,386	23,836
Accrued income tax		65,442	69,560
Other accrued expenses		39,381	44,711
Other current liabilities		5,742	9,078
<b>Total Current Liabilities</b>		<b>900,197</b>	<b>876,116</b>
<b>NON-CURRENT LIABILITIES</b>			
Liabilities under finance lease agreements	14	3,301	4,760
Liabilities under post-employment benefits	5, 15	39,547	38,074
<b>Total Non-Current Liabilities</b>		<b>42,848</b>	<b>42,834</b>
<b>Total Liabilities</b>		<b>943,045</b>	<b>918,950</b>

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( ) Director

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( ) Director

SAHAMITR PRESSURE CONTAINER PUBLIC COMPANY LIMITED  
STATEMENT OF FINANCIAL POSITION

LIABILITIES AND SHAREHOLDERS' EQUITY (Continued)

		Thousand Baht	
	Notes	31 December 2018	31 December 2017
<b>SHAREHOLDERS' EQUITY</b>			
Share capital-ordinary shares, Baht 1 par value			
Authorized 536,405,305 shares		536,405	536,405
Issued and fully paid-up 535,506,333 shares			
(2017 : 531,987,443 shares)	16	535,506	531,987
Premium on share capital	16	55,091	34,746
Capital reserve for share-based payment transactions	17	-	2,640
Retained earnings			
- Appropriated for legal reserve	20	53,641	53,641
- Unappropriated		1,117,561	905,978
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>1,761,799</b>	<b>1,528,992</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>2,704,844</b>	<b>2,447,942</b>

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( ) Director

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( ) Director

**SAHAMITR PRESSURE CONTAINER PUBLIC COMPANY LIMITED**  
**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER**

	Notes	Thousand Baht	
		2018	2017
Net sales	24	4,450,570	4,326,801
Costs of sales	24, 25	(3,508,987)	(3,352,512)
<b>Gross profit</b>		<b>941,583</b>	<b>974,289</b>
Other income	22	246,307	184,822
<b>Profit before expense</b>		<b>1,187,890</b>	<b>1,159,111</b>
Selling expenses	25	(288,423)	(304,288)
Administrative expenses	25	(189,766)	(189,582)
<b>Profit before finance costs and income tax</b>		<b>709,701</b>	<b>665,241</b>
Finance costs		(13,502)	(7,752)
<b>Profit before income tax</b>		<b>696,199</b>	<b>657,489</b>
Income tax	23	(137,781)	(125,741)
<b>PROFIT FOR THE YEAR</b>		<b>558,418</b>	<b>531,748</b>
<b>Other comprehensive income for the year</b>			
<b>Items not to be reclassified subsequently to profit or loss</b>			
Actuarial loss - net of tax	15	-	(4,017)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>558,418</b>	<b>527,731</b>
<b>Basic earnings per share</b>			
Profit (Baht per share)	18	1.05	1.00
Weighted average number of common shares (share)		533,857,757	530,655,232
<b>Diluted earnings per share</b>			
Profit (Baht per share)	18	1.05	1.00
Weighted average number of common shares (share)		533,857,757	532,203,799
_____ ( ) Director		_____ ( ) Director	

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

SAHAMITR PRESSURE CONTAINER PUBLIC COMPANY LIMITED  
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE YEAR ENDED 31 DECEMBER

		Thousand Baht				
Notes	Share Capital Issued and fully paid - up	Premium on share capital	Capital reserve for share-based payment transactions	Retained earnings		Total
				Appropriated for legal reserve	Unappropriated	
Balance as at 1 January 2017	529,127	18,328	2,274	53,641	691,136	1,294,506
Recognition of share-base payment	-	-	3,055	-	-	3,055
Share capital increment	2,860	16,418	(2,689)	-	-	16,589
Dividend payment	-	-	-	-	(312,889)	(312,889)
Transactions with owners	2,860	16,418	366	-	(312,889)	(293,245)
Profit for the year	-	-	-	-	531,748	531,748
Actuarial loss - net of tax	-	-	-	-	(4,017)	(4,017)
Total comprehensive income for the year	-	-	-	-	527,731	527,731
Balance as at 31 December 2017	531,987	34,746	2,640	53,641	905,978	1,528,992
Balance as at 1 January 2018	531,987	34,746	2,640	53,641	905,978	1,528,992
Recognition of share-base payment	-	147	668	-	-	815
Share capital increment	3,519	20,198	(3,308)	-	-	20,409
Dividend payment	-	-	-	-	(346,835)	(346,835)
Transactions with owners	3,519	20,345	(2,640)	-	(346,835)	(325,611)
Profit for the year	-	-	-	-	558,418	558,418
Total comprehensive income for the year	-	-	-	-	558,418	558,418
Balance as at 31 December 2018	535,506	55,091	-	53,641	1,117,561	1,761,799

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( ) Director

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**SAHAMITR PRESSURE CONTAINER PUBLIC COMPANY LIMITED**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED 31 DECEMBER**

	Thousand Baht	
	2018	2017
<b>Cash flows from operating activities:</b>		
Profit before income tax	696,199	657,489
<b>Adjustments to reconcile profit before income tax to net cash provided from (used in) operating activities:</b>		
Depreciation	56,945	52,033
Unrealized gain (loss) on exchange rate	(4,788)	65
Provision for post-employment benefits	2,722	2,689
Gain on fair value adjustment of investment property	(6,300)	(11,758)
Loss (gain) on disposal of assets	233	(196)
Reversal of accrued commission expenses	-	140
Expense for share-based payments	815	3,055
Gain on disposal and gain on change in value of short-term investment	(324)	(87)
Interest expense	13,502	7,752
<b>Cash provided from operations before changes in operating assets and liabilities</b>	<b>759,004</b>	<b>711,182</b>
<b>Decrease (increase) in operating assets:</b>		
Trade accounts receivable	120,379	(137,544)
Inventories	(179,114)	(129,946)
Refundable value added tax	1,816	(1,133)
Other current assets	(4,619)	(5,090)
<b>Increase (decrease) in operating liabilities:</b>		
Trade accounts payable	(221,770)	143,593
Advances received from customers	(1,065)	(28,672)
Accrued commission expenses	22,356	(2,747)
Accrued transportation expenses	(7,450)	(1,081)
Other accrued expenses	(5,495)	7,019
Other current liabilities	(4,131)	(468)
Employee benefits paid	(2,669)	(1,653)
<b>Cash provided from operations</b>	<b>477,242</b>	<b>553,460</b>

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( ) Director

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

SAHAMITR PRESSURE CONTAINER PUBLIC COMPANY LIMITED  
STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER

	Thousand Baht	
	2018	2017
<b>Cash provided from operations (continue)</b>	477,242	553,460
Interest paid	(11,918)	(6,401)
Proceeds from withholding tax refundable	1,199	-
Income tax deducted at sources paid	(328)	(395)
Income tax paid	(140,694)	(112,917)
<b>Net cash provided from operating activities</b>	<b>325,501</b>	<b>433,747</b>
<b>Cash flows from investing activities:</b>		
Purchase of short-term investment	(236,400)	(120,000)
Proceeds from disposal of short-term investment	146,000	120,087
Increase in restricted deposits with bank	(211)	(209)
Proceeds from disposal of assets	789	196
Purchase of property, plant and equipment	(201,368)	(108,253)
<b>Net cash used in investing activities</b>	<b>(291,190)</b>	<b>(108,179)</b>
<b>Cash flows from financing activities:</b>		
Increase in short-term loans from banks - net	252,836	6,678
Repayment of long-term loan from bank	-	(11,100)
Repayment of liabilities under finance leases agreements	(1,329)	(1,752)
Dividend payment	(346,039)	(311,869)
Proceeds from the exercise of share purchase warrants	20,409	16,589
<b>Net cash used in financing activities</b>	<b>(74,123)</b>	<b>(301,454)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(39,812)</b>	<b>24,114</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>118,921</b>	<b>94,807</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>79,109</b>	<b>118,921</b>

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Director  
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Director  
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**SAHAMITR PRESSURE CONTAINER PUBLIC COMPANY LIMITED**  
**NOTES TO FINANCIAL STATEMENTS**  
**AS AT 31 DECEMBER 2018**

**1. NATURE OF BUSINESS**

Sahamitr Pressure Container Public Company Limited, the "Company", is incorporated in Thailand and has its registered office at 92, Soi Thientalay 7, 4<sup>th</sup> intersection, Bangkhunthien - Chaitalay Road, Samaedam, Bangkhunthien, Bangkok, Thailand.

The Company was incorporated as a limited public company in Thailand, and was listed on the Stock Exchange of Thailand on 3 December 1991.

The Company's major shareholders during the financial year were Mrs. Patama Laowong (19.60% shareholding) and Mr. Thamik Ekahitanond (10.15% shareholding).

The Company is engaged in the manufacturing of LPG and other pressure cylinders for both domestic and export sales. In addition, the Company also provides services for container repairs and quality testing for each country's standards.

**2. BASIS OF FINANCIAL STATEMENTS PREPARATION**

**2.1 Statement of compliance**

The accompanying financial statements have been prepared in accordance with the Accounting Act B.E. 2543, Thai Financial Reporting Standards ("TFRS") issued under the Accounting Professions Act B.E. 2547 and the financial reporting requirements promulgated by the Securities and Exchange Commission under the Securities and Exchange Act B.E. 2535. These financial statements are officially prepared in the Thai language. The translation of these financial statements to other languages must be in compliance with the official report in Thai.

**2.2 New and Revised Standards and Interpretations**

**2.2.1 Amendments and interpretations to existing Standards that are effective from 1 January 2018**

The Federation of Accounting Professions has revised TFRS, interpretations and guidance, which are effective for the fiscal accounting periods beginning on or after 1 January 2018. The changes are to align with the corresponding International Financial Reporting Standards where most of the changes are relating to the wording and terminology, the interpretations and accounting guidance.

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The adoption of these revised TFRS does not have a material impact on the financial statement except the additional disclosures required under TAS 7 (see Note 30).

#### 2.2.2 New Standards that are effective from 1 January 2019

During the year, the Federation of Accounting Professions issued Thai Financial Reporting Standard No. 15 "Revenue from Contracts with Customers" (TFRS 15). TFRS 15 is effective for the fiscal accounting periods beginning on or after 1 January 2019 and presents new principles for the recognition of revenue, replacing Thai Accounting Standard No. 18 "Revenue", Thai Accounting Standard No.11 "Construction Contracts", and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas which are limited in detail under existing Thai Financial Reporting Standards. Management has assessed that the impact on the financial statements when the new standard is initially applied is immaterial.

#### 2.2.3 New Standards that are effective from 1 January 2020

During the year, the Federation of Accounting Professions issued TFRSs for financial instruments, which consists of TFRS 9 "Financial instruments", TFRS 7 "Financial instruments: Disclosure", TAS 32 "Financial instruments: Presentation", TFRIC 16 "Hedges of a Net Investment in a Foreign Operation" and TFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments", are effective for annual accounting periods beginning on or after 1 January 2020 and has new requirements relating to the definition, recognition, classification, measurement, impairment of financial assets, as well as providing guidance on hedge accounting.

The Company will adopt these new standards when they become effective, and management is in the process to assess the impact on the financial statements in the period of initial application.

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## 2.3 Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following items, which are measured on an alternative basis at each reporting date.

Items	Measurement bases
Investment property	Fair value
Defined benefit obligation	Present value of the defined benefit obligation as explained in Note 15

## 2.4 Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

### Foreign currencies

Foreign currency transactions are translated into the functional currency (Thai Baht), using the exchange rate prevailing at the dates of the transactions (spot exchange rate).

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

Non-monetary assets and liabilities measured at cost in foreign currencies are translated into the functional currency at the exchange rates at the dates of the transactions.

Foreign currency differences are recognized in profit or loss as incurred.

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( ) Director

#### Cash and cash equivalents

Cash and cash equivalents include cash on hand and highly liquid cash at banks (which do not have restriction of usage) that are readily convertible to cash on maturity date with insignificant risk of change in value.

#### Short-term investment

Marketable securities held-for-trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognized in profit or loss.

The fair value of investments is based on the net asset value of the mutual fund at the reporting date.

#### *Disposal of investments*

On disposal of an investment, the difference between net disposal proceeds and the carrying amount is recognized in profit or loss.

If the Company disposes of part of its holding of a particular investment, the deemed cost of the part sold is determined using the weighted average method applied to the carrying value of the total holding of the investment.

#### Trade accounts receivable and allowance for doubtful accounts

Trade accounts receivable are stated at invoice amount net of allowance for doubtful accounts (if any). The Company provides allowance for doubtful accounts equal to the estimated collection losses that may incur in the collection process. The estimated losses are based on historical collection experiences coupled with a review of the current status of receivables.

#### Related parties

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 directing the Company's operations.

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( ) Director

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## Inventory

Inventories are valued at the lower of cost or net realizable value, by the following methods:

Finished goods and work in process	At cost (average method)
Raw materials and others	At cost (specific and first - in, first - out method)

Net realizable value is the estimated selling price in the ordinary course of the business less the marginal cost to complete (for work in process) and other estimated costs necessary to make the sale.

Cost of purchase consists of purchasing price and other related direct cost, net of discounts and others (if any).

Costs of finished goods and work in process consist of raw materials, direct labour, other direct expenses and overhead which are allocated based on the production process.

The Company sets up allowance for decline value of inventories (if any), based on their current status such as slow - moving and defective.

## Property, plant and equipment

### *Recognition and measurement*

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (if any).

Cost is measured by the cash or cash equivalent price of obtaining the asset that bring it to the location and condition necessary for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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

### *Subsequent costs*

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

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### *Depreciation*

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

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

	Years
Land improvements	10
Buildings and improvements	20 - 40
Machinery and equipment	3 - 20
Furniture, fixtures and office equipment	3 - 10
Vehicles	5

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

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

### *Impairment*

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount. The impairment loss is recognized in profit or loss.

### Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Company, is classified as investment property. Investment property also includes property where the future use has not been determined.

Investment property is measured initially at its cost including related transaction costs. After initial recognition, investment property is carried at its fair value estimated by an independent appraiser, and recognize changes in the fair value in profit or loss.

Subsequent expenditure is capitalised to the asset carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

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When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

#### Interest-bearing liabilities

Interest-bearing liabilities are recognized initially at fair value less attributable transaction charges. Subsequent to initial recognition, interest-bearing liabilities are stated at amortized cost with any difference between cost and redemption value being recognized in profit or loss over the period of the borrowings on an effective interest basis.

#### Trade and other accounts payable

Trade and other accounts payable are stated at cost.

#### Long-term leases

Leases of vehicle where the Company assumes substantially all the benefits and risks of ownership are classified as finance leases. Assets under finance leases are capitalized at the fair value or estimated present value of the underlying lease payments, whichever is lower. Each lease payment is allocated between the liability and finance charges to achieve a constant rate on the outstanding finance balance. Future lease payments, net of financial charges, are recognized as liabilities under finance lease agreements. The financial charge is recognized in the statement of profit or loss over the lease period. Assets acquired under finance lease agreements are depreciated over their useful lives.

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are recognized in the statement of profit or loss on a straight-line basis over the lease period. When an operating lease is terminated before the expiry date of the lease period, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

#### Revenue

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

#### *Sale of goods and services rendered*

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

#### *Interest income*

Interest income is recognized in profit or loss on an accrual basis.

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### Income tax

The computation of corporate income tax in compliance with the Revenue Code, is based on the taxable profit for the year after adding back expenses that are not deductible in determining taxable profit and the deduction of exempted income, according to the Revenue Code.

### *Current income tax*

Current income tax is the expected tax payable or claimable on the taxable profit or loss for the year, using tax rates enacted or substantially enacted at the end of the reporting period, and any adjustment to tax payable in respect of earlier years.

### *Deferred tax*

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities and the corresponding amounts used for income tax computation purposes. Deferred tax is measured at the tax rate that is expected to be applied to the temporary differences when they reverse, using tax rate enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized. Deferred tax assets are reviewed at the end of each reporting year and reduced to the extent that the related tax benefit will be realized.

### Employee benefits

Salaries, wages, bonuses and contribution to the social security are recognized as expenses when incurred.

### *Post-employment benefits (Defined contribution plans)*

The Company and its employees have jointly established a contributory provident fund plan whereby monthly contributions are made by employees and by the Company. The fund assets are held in a separate trust fund. The Company's contributions are recognized as expenses when incurred.

### *Post-employment benefits (Defined benefit plans)*

The Company has obligations in respect of the severance payments for employees upon retirement under the Labour Law.

The obligation under the defined benefit plan is determined by actuary, using the projected unit credit method.

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#### Share-based payments

The grant-date fair value of equity-settled share-based payment awards granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions, such that the amount ultimately recognized is based on the number of awards that meet the related service conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

#### Basic earnings per share

The Company presents basic earnings per share for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

#### Dividend payment

Dividend payment is recorded in the financial statements in the period in which they are approved by the Shareholders or Board of Directors of the Company.

#### Segment reporting

Segment results that are reported to the chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment information is presented by geography as primary format.

#### Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

### 4. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTION AND JUDGMENT AND CAPITAL RISK MANAGEMENT

#### 4.1 Critical accounting estimates, assumption and judgments

##### 4.1.1 Impairment of receivables

The Company accounts for allowance for doubtful accounts equal to the estimated collection losses that may incur in the collection of receivables. The estimated losses are based on uncertainty in the collection as considered by the management.

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#### 4.1.2 Allowance for decline in value of inventories

The Company estimates an allowance for slow-moving and defective inventories to reflect impairment of inventories. The allowance is based on the consideration of inventory turnover and deterioration of each inventory category.

#### 4.1.3 Property, plant and equipment and computer software

Management regularly determines the estimated useful lives and residual values of property, plant and equipment and computer software, and will revise the depreciation and the amortization charge where useful lives and residual values previously estimated have changed or subject to be written down for their technical obsolescence or if asset is no longer in used.

#### 4.1.4 Investment property

The fair value of investment property is determined by an independent valuer using the market approach. The valuation involves certain assumptions and estimates.

#### 4.1.5 Post-employment benefits

The obligation under defined benefit plan is determined based on actuarial valuations. Inherent within these calculations are assumptions as to discount rates, future salary increases, mortality rates and other demographic factors. Actual post-retirement costs may ultimately differ from these estimates.

#### 4.1.6 Deferred tax assets

The extent to which deferred tax assets can be recognized is based on an assessment of the probability of the Company future taxable income against which the deductible temporary differences can be utilized. In addition, management judgment is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions

#### 4.2 Capital risk management

The Company's objectives in the management of capital is to safeguard its ability to continue as a going concern to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

To maintain or adjust the capital structure, the Company may issue new shares or issue new debentures to finance debts or sell assets to reduce debts.

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## 5. TRANSACTIONS WITH RELATED PARTIES

The Company has certain accounting transactions with related parties that are related to it through common shareholding and/or directorship. Thus, the financial statements reflect the effects of those transactions on the basis agreed upon between the Company and its related parties, which basis might be different from the basis used for transactions with unrelated parties.

Significant transactions with related parties for the years ended 31 December 2018 and 2017 consist of:

	Pricing Policy	Thousand Baht	
		2018	2017
Land rental - related parties	Contract rate	1,200	480
<u>Key management personnel compensation</u>			
Current employment benefits		82,388	84,281
Provision for post-employment benefits			
- Service cost		369	356
- Finance cost		295	273
Expense for share-based payments		159	278
Total		<u>83,211</u>	<u>85,188</u>

## 6. CASH AND CASH EQUIVALENTS

	Thousand Baht	
	2018	2017
Cash	165	358
Saving accounts with banks	72,911	113,888
Current accounts with banks	6,033	4,675
Total	<u>79,109</u>	<u>118,921</u>

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## 7. SHORT-TERM INVESTMENT

Movements in the short-term investment during the years ended 31 December 2018 and 2017 are summarized below.

	Thousand Baht	
	2018	2017
Balance as at 1 January	-	-
Add Addition	236,400	120,000
Less Disposals	(146,000)	(120,087)
Gain on change in value of short-term investment	324	87
Balance as at 31 December	90,724	-

The Company has invested in an open-end mutual fund which yields a return more than general savings deposits. The investment does not have any restriction for redemption and has been classified as held-for-trading.

### Measurement of fair value

The fair market value is based on the price quoted by the fund manager which is based on the fair value of the underlying investments held by the fund (Level 2).

## 8. TRADE ACCOUNTS RECEIVABLE

As at 31 December 2018 and 2017, the aged trade accounts receivable are as follows:

	Thousand Baht	
	2018	2017
Not yet due	303,459	358,748
Over due		
Less than 3 months	122,315	196,719
More than 3 months, not over 6 months	332	14
More than 6 months, not over 12 months	5,599	-
More than 12 months	12	-
Total	431,717	555,481

The normal credit term is between 30 days and 90 days.

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## 9. INVENTORIES

	Thousand Baht	
	2018	2017
Raw materials and others	802,857	644,786
Work in process	36,281	28,681
Finished goods	41,889	28,446
Total	881,027	701,913
<u>Less</u> Allowance for decline in value of inventories	(656)	(656)
Net	880,371	701,257

During the years ended 31 December 2018 and 2017, inventories recognized as an expense in cost of sales of Baht 3,508.99 million and Baht 3,352.51 million, respectively.

## 10. RESTRICTED DEPOSITS WITH BANKS

As at 31 December 2018 and 2017, the Company's fixed and saving deposits totalling Baht 36.29 million and Baht 36.08 million, respectively, are restricted for usage as they have been pledged as collaterals for letters of guarantee issued by a local bank for utilities usage, performance bond, and for loan from bank.

## 11. INVESTMENT PROPERTY

As at 31 December 2018 and 2017, the outstanding balances of investment property are as follows:

	Thousand Baht	
	2018	2017
Land	35,200	28,900
Land and construction	24,580	24,580
Total	59,780	53,480

Investment property comprise land and construction not occupied by the Company, and property where the future use has not been determined.

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During the years ended 31 December 2018 and 2017, movement of the investment property are as follows:

	Thousand Baht	
	2018	2017
Net book value as at 1 January	53,480	41,722
Gain from fair value adjustment for the year	6,300	11,758
Net book value as at 31 December	59,780	53,480

#### *Measurement of fair value*

The fair value of investment property is determined by external independent property valuers, having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued and have been approved by The Securities and Exchange Commission. An independent valuation is performed at least every three years, or when management determines that there is a material change in the fair value. During the year, two properties were revalued resulting in a gain of Baht 6.30 million. The independent appraisers applied a market approach by comparing the value to market price of other property in the nearby location (Level 2). The Company recognized changes in the fair value of investment property in profit or loss for the year.

Investment property amounting to Baht 58.18 million has been mortgaged as collateral for credit facility as discussed in Notes 13 and 26 to the financial statements.

## 12. PROPERTY, PLANT AND EQUIPMENT

	Thousand Baht						Total
	Land and improvement	Building and improvement	Machinery and equipment	Furniture fixtures and office Equipment	Vehicles	Machinery under installation and construction in progress	
<b>Cost</b>							
1 January 2017	203,527	461,870	729,681	38,046	58,661	28,404	1,520,189
Acquisitions	-	-	20,370	2,083	-	87,206	109,659
Disposals / write-off	(1,406)	-	(288)	-	(1,364)	-	(3,058)
Transfer in / (out)	-	628	59,596	-	-	(60,224)	-
31 December 2017	202,121	462,498	809,359	40,129	57,297	55,386	1,626,790
Acquisitions	105,025	38	39,816	453	-	56,036	201,368
Disposals / write-off	-	-	(6,648)	(798)	(3,408)	-	(10,854)
Transfer in / (out)	1,228	29,015	55,464	-	-	(85,707)	-
31 December 2018	308,374	491,551	897,991	39,784	53,889	25,715	1,817,304

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Thousand Baht							
	Land and improvement	Building and improvement	Machinery and equipment	Furniture fixtures and office Equipment	Vehicles	Machinery under installation and construction in progress	Total
<b>Accumulated depreciation</b>							
1 January 2017	31,726	193,977	338,990	32,828	45,744	-	643,265
Depreciation for the year	869	11,336	34,919	1,373	3,536	-	52,033
Accumulate depreciation for Disposals	-	-	(288)	-	(1,364)	-	(1,652)
31 December 2017	32,595	205,313	373,621	34,201	47,916	-	693,646
Depreciation for the year	868	12,076	39,144	1,562	3,295	-	56,945
Accumulate depreciation for Disposals	-	-	(5,626)	(798)	(3,408)	-	(9,832)
31 December 2018	33,463	217,389	407,139	34,965	47,803	-	740,759
<b>Net book value</b>							
31 December 2017	169,526	257,185	435,738	5,928	9,381	55,386	933,144
31 December 2018	274,911	274,162	490,852	4,819	6,086	25,715	1,076,545
<b>Depreciation for the year 2017</b>							
Cost of goods sold							44,017
Administrative expenses							8,016
Total							52,033
<b>Depreciation for the year 2018</b>							
Cost of goods sold							49,105
Administrative expenses							7,840
Total							56,945

The Company's land and buildings and a part of machinery have been mortgaged as collateral for credit facilities as discussed in Note 13 to the financial statements.

As at 31 December 2018 and 2017, the cost of fully depreciated assets which remain in use amounted to Baht 250.13 million and Baht 129.96 million, respectively.

### 13. SHORT-TERM LOANS FROM BANKS

Thousand Baht	
	2018
	2017
Liabilities under trust receipt agreements (secured)	543,371
Total	543,371

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As at 31 December 2018, the Company has credit facilities from banks totaling Baht 5,181 million (2017: Baht 5,581 million). The promissory notes and liabilities under trust receipts bear interest at the rates of 1.55% - 2.77% per annum (2017: 1.50% - 4.50% per annum). Such loans are collateralized by the mortgages of the Company's land, buildings and certain machinery thereon and investment property, bank deposit of Baht 36.29 million (2017: Baht 36.08 million), the pledge of the Company shares belonging to the Company's shareholders and the personal guarantees of certain Company's directors. The Company had unutilised credit facilities of Baht 3,728 million (2017: Baht 4,431 million).

#### 14. LIABILITIES UNDER FINANCE LEASE AGREEMENTS

As at 31 December 2018 and 2017, the Company has finance lease agreements for vehicles that are being used in the operations with instalment periods of 48 - 49 months as follows:

	Thousand Baht	
	2018	2017
Liabilities under financial leases		
Due within 1 year	1,663	1,663
Due over 1 year but not more than 4 years	3,408	5,071
Total	5,071	6,734
<u>Less</u> Deferred interest	(403)	(737)
	4,668	5,997
<u>Less</u> Portion due within 1 year	(1,367)	(1,237)
Net	3,301	4,760

#### 15. LIABILITIES UNDER EMPLOYEE BENEFITS OBLIGATION

	Thousand Baht	
	2018	2017
<b>Statement of financial position obligations for:</b>		
Post-employment benefits	39,547	38,074
<b>Statement of profit and loss and other comprehensive income:</b>		
<i>Recognized in profit or loss:</i>		
Post-employment benefits	2,722	2,689
<i>Recognized in other comprehensive income</i>		
Actuarial loss - net of tax	-	4,017

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The Company has an obligation under the Thai Labour Law to provide retirement benefits to employees based on pensionable remuneration and length of service.

During the years ended 31 December 2018 and 2017, movements in employee benefits obligation are as follows:

	Thousand Baht	
	2018	2017
Balance as at 1 January	38,074	30,681
Recognized in profit or loss		
- Current service costs	2,722	2,689
- Interest on obligation	1,420	1,336
Actuarial loss	-	5,021
Benefits paid	(2,669)	(1,653)
Balance as at 31 December	39,547	38,074

Principal actuarial assumptions are as follows:

Discount rate	4.0 percent per annum
Future salary increment rate	6.0 percent per annum
Normal retirement age	60 years
Number of employees	414 persons

#### *Sensitivity analysis*

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	Thousand Baht	
	Effect to the defined benefit obligation	
	2018	2017
Discount rate (1% increment)	(4,206)	(4,003)
Discount rate (1% decrement)	4,909	4,685
Future salary growth (1% increment)	4,933	4,319
Future salary growth (1% decrement)	(4,289)	(3,772)
Employee turnover (1% increment)	(4,904)	(4,316)
Employee turnover (1% decrement)	5,717	5,007

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On 13 December 2018, the National Legislative Assembly approved a change in the Labor Protection Act which entitles employees who have worked consecutively for a period of 20 years or more to receive a severance payment of 400 days of their current wage. The change in the regulations will become effective 30 days after its publication in the Government Gazette, and will result in the Company having to recognize an increase in the provision for employee benefits of Baht 14.05 million.

#### 16. SHARE CAPITAL AND PREMIUM ON SHARE CAPITAL

During the year ended 31 December 2018, the warrant holders exercised 3,518,890 warrants to buy 3,518,890 common shares with an exercise price of Baht 5.80 per share. The Company has received additional paid-up share capital, share premium and adjustment to recognize warrants of Baht 3.52 million, Baht 20.20 million and Baht 3.31 million, respectively.

During the year ended 31 December 2017, the warrant holders exercised 2,860,335 warrants to buy 2,860,335 ordinary shares with an exercise price of Baht 5.80 per share. The Company has received additional paid-up share capital, share premium and adjustment to recognize warrants of Baht 2.86 million, Baht 16.42 million and Baht 2.69 million, respectively.

#### 17. WARRANTS

The Company allocated and issued 9,400,000 warrants to the management, directors and employees of the Company free of charge ("ESOP"). The exercise period is within 3 years commencing on 15 June 2015, and the warrants can be exercised to acquire the new ordinary shares of the Company for 3 consecutive years. The warrants are first exercisable after 1 year after the date the warrants were allotted. The exercise ratio is 1 warrant per 1 new ordinary share, and the exercise price is Baht 5.80 per share. The percentage of warrants that were exercisable were as follow:

Exercise date	Percent of the total warrants
15 June 2016	30
15 June 2017	30
15 June 2018	40

During the years ended 31 December 2018 and 2017, the Company recorded expenses of Baht 0.82 million and Baht 3.05 million, respectively, related to the ESOP scheme as employee expense in the statement of profit or loss and other comprehensive income, together with a corresponding increase in "Capital reserve for share-based payment transactions" in the shareholders' equity.

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During the years ended 31 December 2018 and 2017, movements in warrants and capital reserve for share-based payment transactions are as follows:

	2018		2017	
	Number of warrants (Unit)	Capital reserve for share-based payment transactions (Thousand Baht)	Number of warrants (Unit)	Capital reserve for share-based payment transactions (Thousand Baht)
Balance as at 1 January	4,131,770	2,640	6,992,105	2,274
Recognition of share-base payment as expenses during the year	-	815	-	3,055
Exercise of warrants	(3,518,890)	(3,308)	(2,860,335)	(2,689)
Expired warrants as at 15 June 2018	(612,880)	(147)	-	-
Balance as at 31 December	-	-	4,131,770	2,640

#### 18. EARNINGS PER SHARE

The calculation of earnings per share, basic and diluted earnings per share for years ended 31 December 2018 and 2017 are as follows:

	Profit for the year ended 31 December		Weighted average ordinary shares		Earnings per share	
	2018	2017	2018	2017	2018	2017
	(Thousand Baht)	(Thousand Baht)	(Thousand shares)	(Thousand shares)	(Baht)	(Baht)
<b>Basic earnings per share</b>						
Profit attributable to shareholders of the Company	558,418	531,748	533,858	530,655	1.05	1.00
<b>Potential effect of dilutive ordinary shares</b>						
Warrants	-	-	-	1,549		
<b>Diluted earnings per share</b>						
Profit of ordinary shareholder assuming the exercise of warrants	558,418	531,748	533,858	532,204	1.05	1.00

#### 19. DIVIDEND PAYMENT

At the Board of Directors' meeting No. 4/2018 held on 10 August 2018, the Board of Directors passed a resolution to appropriate an interim dividend payment from the operating profit for the six-month period ended 30 June 2018 of Baht 0.30 per share for 535,506,333 shares, totalling Baht 161 million. The dividend was paid on 7 September 2018.

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At the 2018 Annual Shareholders Meeting held on 28 March 2018, the shareholders passed a resolution to pay a dividend from the profit for the year ended 31 December 2017 of Baht 0.60 per share. An approved interim dividend payment for the six-month period ended 30 June 2017 had already been paid of Baht 0.25 per share for 531,987,443 shares, totaling Baht 133 million on 8 September 2017. The remaining dividend payment for the period from 1 July 2017 to 31 December 2017 of Baht 0.35 per share, totaling Baht 186 million, was paid on 27 April 2018.

At the Board of Directors' meeting No. 4/2017 held on 10 August 2017, the Board of Director passed a resolution to pay an interim dividend payment from the operating profit for the six-month period ended 30 June 2017 of Baht 0.25 per share for 531,987,443 shares, totalling Baht 133 million. The dividend was paid on 8 September 2017.

At the 2017 Annual Shareholders Meeting held on 30 March 2017, the shareholders passed a resolution to pay a dividend from the profit for the year ended 31 December 2016 of Baht 0.64 per share. An approved interim dividend payment for the six-month period ended 30 June 2016 had already been paid of Baht 0.30 per share for 529,127,108 shares, totaling Baht 159 million on 9 September 2016. The remaining dividend payment for the period from 1 July 2016 to 31 December 2016 of Baht 0.34 per share, totaling Baht 180 million, was paid on 28 April 2017.

As at 31 December 2018, the Company has an accrual for dividends amounting to Baht 3.33 million (2017: Baht 2.54 million) under current liabilities.

## 20. LEGAL RESERVE

Under the provision of the Public Company Act B.E. 2535, the Company is required to appropriate at least 5% of its annual net profit, after deduction of the deficit brought forward (if any), as reserve fund until the reserve reaches not less than 10% of the registered share capital. This reserve is not available for dividend distribution.

## 21. PROVIDENT FUND

The Company and employee have established a contributory Provident Fund. This Provident Fund has already been registered under the Provident Fund Act, B.E. 2530. Under the Fund plan, employee has to contribute to the fund at the specific rate and will be entitled to receive the fund when employee is no longer member in accordance with regulation of the fund. The Company's contribution to the Fund for the year 2018, amounted to Baht 3.49 million (2017: Baht 3.42 million).

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## 22. OTHER INCOME

Other income for the years ended 31 December 2018 and 2017 are as follows:

	Thousand Baht	
	2018	2017
Revenue from scrap sales	192,074	131,242
Gain on exchange rate	21,418	25,810
Revenue from product quality test	11,064	6,900
Gain on fair value adjustment of investment property	6,300	11,758
Freight income	2,358	2,834
Others	13,093	6,278
<b>Total</b>	<b>246,307</b>	<b>184,822</b>

## 23. INCOME TAX

### *Deferred tax*

The movements in deferred tax assets / liabilities for the years ended 31 December 2018 and 2017 are as follows:

	Thousand Baht		
	(charged) / credit to		
	1 January 2018	Profit or loss	Other comprehensive Income
			31 December 2018
<b>Deferred tax assets</b>			
From adjustment the fair value of investment property	3,491	(1,260)	-
From provision for employee benefits obligation	7,615	295	-
<b>Total</b>	<b>11,106</b>	<b>(965)</b>	<b>-</b>
<b>Deferred tax liability</b>			
From property, plant and equipment	(1,025)	88	-
<b>Deferred tax assets - net</b>	<b>10,081</b>	<b>(877)</b>	<b>-</b>

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	Thousand Baht			
	(charged) /credit to			
	1 January 2017	Profit or loss	Other comprehensive Income	31 December 2017
<b>Deferred tax assets</b>				
From adjustment the fair value of investment property	5,843	(2,352)	-	3,491
From provision for employee benefits obligation	6,136	475	1,004	7,615
<b>Total</b>	<b>11,979</b>	<b>(1,877)</b>	<b>1,004</b>	<b>11,106</b>
<b>Deferred tax liability</b>				
From property, plant and equipment	(1,113)	88	-	(1,025)
<b>Deferred tax assets - net</b>	<b>10,866</b>	<b>(1,789)</b>	<b>1,004</b>	<b>10,081</b>

Income tax expense for the years ended 31 December 2018 and 2017 are as follows:

	Thousand Baht	
	2018	2017
<b>Current tax expense</b>		
Current year	136,903	123,952
<b>Deferred tax expense</b>		
Movements in temporary differences	878	1,789
<b>Total income tax expense</b>	<b>137,781</b>	<b>125,741</b>

Income tax recognised in other comprehensive income

	Thousand Baht					
	2018			2017		
	Before tax	Tax Expense	Net of tax	Before tax	Tax expense	Net of Tax
Defined benefit plan actuarial loss	-	-	-	5,021	1,004	4,017
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,021</b>	<b>1,004</b>	<b>4,017</b>

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# Reconciliation of effective tax rate

	2018		2017	
	Rate (%)	(Thousand) (Baht)	Rate (%)	(Thousand) (Baht)
Profit before income tax		696,199		657,489
Income tax at tax rate	20%	139,240	20%	131,498
Income tax expense from non-deductible expense for tax purpose		649		1,007
Income tax benefit from additional deduction of expenses for tax purpose		(4,750)		(6,930)
Adjustment for tax in prior years		2,642		166
Net		137,781		125,741

## 24. SEGMENT REPORTING

Significant segment reporting for the years ended 31 December 2018 and 2017 are as follows

	Thousand Baht					
	For the years ended 31 December					
	2018			2017		
	Domestic	Export	Total	Domestic	Export	Total
Net sales	264,658	4,185,912	4,450,570	239,982	4,086,819	4,326,801
Cost of sales	(162,430)	(3,346,557)	(3,508,987)	(183,769)	(3,168,743)	(3,352,512)
Gross profit	102,228	839,355	941,583	56,213	918,076	974,289

Segment reporting 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 Company reported its operations by domestic and export. Segment performance is measured based on gross 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 assets as reflected in these financial statements pertain exclusively to the aforementioned reportable operating segment and geographical area.

Gross profit for domestic and export sales derived from the deduction of related costs of sales, which are calculated by the weighted average standard cost of each product.

### Major Customer

For the year ended 31 December 2018, the Company has no major private customers (2017: Baht 663 million).

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## 25. EXPENSES BY NATURE

Significant expenses by nature for the years ended 31 December 2018 and 2017 are as follows:

	Thousand Baht	
	2018	2017
Raw materials and consumable supplies used	2,823,010	2,639,171
Changes in finished goods and work in process	21,043	34,677
Salaries, wages and other employee benefits	342,715	351,530
Transportation expenses	190,113	191,868
Commission	60,189	72,850
Depreciation	56,945	52,033

## 26. COMMITMENTS

As at 31 December 2018, the Company has the following commitments:

- 26.1 An obligation under a domestic bank guarantee amounting to Baht 634.32 million for the issuance of letters of guarantee to the Customs Department to exempt the Company from paying anti-dumping duties for materials imported for manufacturing and re-export within one-year.
- 26.2 Obligations under domestic bank guarantees for electricity usage and other matters totalling Baht 41.70 million.

Such letters of guarantee are guaranteed by the mortgage of the Company's land, buildings and certain machinery as disclosed in Notes 11 and 12 and the personal guarantee of certain of the Company's director.

## 27. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities carried on the statement of financial position include cash and cash equivalents, trade accounts receivable and payable, short-term loan, advances received from customers and accrued commission expenses. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies

### Foreign Currency Risk

The Company has foreign currency risk exposure relating to sales and purchases denominated in foreign currencies. As at 31 December 2018 and 2017, the Company has unhedged assets and liabilities in foreign currencies from the import and export of products with natural hedges as follows:

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( ) Director

2018			
	Foreign currencies (Thousand Unit)	Exchange rate (Closing rate)	Baht equivalent (Thousand Baht)
<u>Cash and cash equivalent in foreign currencies</u>			
USD	81	32.2848	2,611
<u>Trade accounts receivable in foreign currencies</u>			
USD	6,458	32.2848	208,495
EUR	3,981	36.7620	146,337
KWD	477	106.2699	50,691
<u>Trade accounts payable in foreign currencies</u>			
USD	124	32.6148	4,039
<u>Short-term loans from bank in foreign currency</u>			
USD	16,660	32.6148	543,371
<u>Advances from customers in foreign currency</u>			
USD	362	32.6148	11,816
EUR	1	37.4884	41
<u>Accrued commission expenses in foreign currency</u>			
USD	1,738	32.6148	56,673
EUR	260	37.4884	9,747

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( ) Director

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( ) Director

	2017		
	Foreign currencies (Thousand Unit)	Exchange rate (Closing rate)	Baht equivalent (Thousand Baht)
<u>Cash and cash equivalent in foreign currencies</u>			
USD	34	32.5146	1,097
<u>Trade accounts receivable in foreign currencies</u>			
USD	10,866	32.5146	353,299
EUR	3,487	38.6607	134,812
<u>Trade accounts payable in foreign currencies</u>			
USD	8,929	32.8472	293,303
<u>Short-term loans from bank in foreign currency</u>			
USD	2,674	32.8472	87,829
<u>Advances from customers in foreign currency</u>			
USD	230	32.8472	7,565
EUR	54	39.3938	2,134
GBP	21	44.4531	901
<u>Accrued commission expenses in foreign currency</u>			
USD	1,234	32.8472	40,531
EUR	112	39.3938	4,412

#### Credit Risk

The Company provides credit term on its trade transactions. The Company manages its exposure to credit risk by closely monitoring collection of accounts receivable and focuses on overdue accounts. In the case of doubt about the collection of accounts receivable, the Company provides allowance in the accounts as deemed necessary.

#### Interest Rate Risk

The interest rate risk is the future movements in market interest rates that will affect the results of the Company operations and its cash flows. The Company's exposure to interest rate risk relates primarily to their deposits with bank and loans from bank as at 31 December 2018 and 2017 as follows:

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( ) Director



Thousand Baht					
2018					
	Floating rate	Fixed rate	No interest	Total	Interest rate (%)
<u>Financial assets/ liabilities</u>					
Cash and cash equivalents	72,911	-	6,198	79,109	0.10% - 0.80%
Restricted deposits with banks	-	36,289	-	36,289	0.65% - 1.00%
Short-term loans from banks	543,371	-	-	543,371	1.55% - 2.77%

Thousand Baht					
2017					
	Floating rate	Fixed rate	No interest	Total	Interest rate (%)
<u>Financial assets/ liabilities</u>					
Cash and cash equivalents	113,888	-	5,033	118,921	0.10% - 0.65%
Restricted deposits with banks	-	36,078	-	36,078	0.65% - 1.00%
Short-term loans from banks	297,816	-	-	297,816	1.50% - 2.20%

#### Liquidity Risk

Liquidity risk arises from the possibility that customers may not be able to settle obligations to the Company within the normal terms of trade. To manage this risk, the Company periodically assesses the financial viability of customers.

As of 31 December 2018 and 2017, the financial instrument classified by the periods of time from the date on the statements of financial position to their maturity dates are as follows:

Thousand Baht				
2018				
	At call	Within 1 year	Over 1 year	Total
<u>Financial assets/ liabilities</u>				
Cash and cash equivalents	79,109	-	-	79,109
Trade accounts receivable	431,717	-	-	431,717
Restricted deposits with banks	-	-	36,289	36,289
Short-term loans from banks	-	543,371	-	543,371
Trade accounts payable	148,483	-	-	148,483
Liabilities under finance lease agreements	-	1,367	3,301	4,668

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( ) Director

Thousand Baht				
2017				
	At call	Within 1 year	Over 1 year	Total
<u>Financial assets/ liabilities</u>				
Cash and cash equivalents	118,921	-	-	118,921
Trade accounts receivable	555,481	-	-	555,481
Restricted deposits with banks	-	-	36,078	36,078
Short-term loans from banks	-	297,816	-	297,816
Trade accounts payable	370,373	-	-	370,373
Liabilities under finance lease agreements	-	1,237	4,760	5,997

#### Fair Value of Financial Instruments

The fair value of financial assets and liabilities approximate to the carrying value in the financial statements.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments.

- Cash and cash equivalents, restricted deposits with banks and accounts receivable - the carrying values approximate their fair values due to the relatively short-term maturity of these financial instruments.
- Loans from bank, trade accounts payable and liabilities under finance lease agreement the carrying amounts of these financial liabilities approximate their fair values due to the relatively short-term maturity.

#### 28. FAIR VALUE HIERACHY

As at 31 December 2018 and 2017, the group has financial assets measured at fair value in the statement of financial position are grouped into levels of a fair value hierarchy as follows:

(Unit: Thousand Baht)				
2018				
	Level 1	Level 2	Level 3	Total
<b>Assets measured at fair value</b>				
Short-term investment	-	90,724	-	90,724
Investment property	-	59,780	-	59,780

(Unit: Thousand Baht)				
2017				
	Level 1	Level 2	Level 3	Total
<b>Assets measured at fair value</b>				
Investment property	-	53,480	-	53,480

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## 29. CONTINGENT LIABILITIES

On 1 April 2015, a company, who owns land near the Company's factory area, sued the Company as a joint defendant with four other parties in the Civil Court for compensation caused by the Company's production process amounting to Baht 130.94 million. The total claim amounts to Baht 201.88 million, which included interest at a rate of 7.50 percent per annum from 1 April 2015 to the expected payment date. The Civil Court determined that this is an environmental claim on 30 January 2017. The Company has already improved its factory to reduce the environmental impact and on 13 November 2018, the lawsuit was withdrawn.

In addition, such company who owns the lands, sued Government authorities in respect of the legality of the issuance of the Company's factory license. Consequently, the Company has been subpoenaed as an interpleader by the Central Administrative Court and has filed a testimony to the Court. Currently, the Company is waiting for the decision of the Central Administrative Court. However, the Company believes that their business operations are in compliance with the law and there will be no damages from such case. The Company therefore, has not set up any provision in the financial statements.

## 30. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The amendment to TAS 7, effective 1 January 2018, require the company to provide disclosures about the changes in liabilities from financing activities. The company categorises those changes into changes arising from cash flows and non-cash changes with further sub-categories as required by TAS 7.

The changes in the company's liabilities arising from financing activities can be classified as follows:

	Thousand Baht		
	Lease liabilities	Short-term loans	Total
<b>1 January 2018</b>	5,997	297,816	303,813
<b>Cash-flows:</b>			
Repayment	(1,329)	(1,931,861)	(1,933,190)
Proceeds	-	2,170,135	2,170,135
<b>Non-cash:</b>			
Exchange rate	-	7,281	7,281
<b>31 December 2018</b>	4,668	543,371	548,039

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Thousand Baht				
	Lease liabilities	Short-term loans	Long-term loans	Total
<b>1 January 2017</b>	7,749	291,194	11,100	310,043
<b>Cash-flows:</b>				
Repayment	(1,752)	(1,513,778)	(11,100)	(1,526,630)
Proceeds	-	1,520,344	-	1,520,344
<b>Non-cash:</b>				
Exchange rate	-	56	-	56
<b>31 December 2017</b>	5,997	297,816	-	303,813

### 31. EVENTS AFTER THE REPORTING PERIOD

On 12 February 2019, the Board of Director passed a resolution to propose to the Annual Shareholders Meeting as follows:

#### *To change the registered share capital*

The Board of Directors' meeting approve to change the Company's registered share capital and update memorandum of association from 536,405,305 shares to 535,506,333 shares which par value no change according for expired warrants.

#### *To approve dividend payment*

The Board of Directors' meeting approve dividend payment from the net profit for the year ended 31 December 2018 of Baht 0.63 per share, of which an interim dividend payment for the six-month period ended 30 June 2018 has been paid of Baht 0.30 per share for 535,506,333 shares, totaling Baht 161 million on 7 September 2018. The Company therefore, has remaining dividend payment for the period from 1 July 2018 to 31 December 2018 of Baht 0.33 per share amounting to Baht 177 million.

### 32. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorized by the Board of Directors on 12 February 2019.

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