

Annual Report 2018

SCG Packaging Public Company Limited



PASSION FOR BETTER PACKAGING SOLUTIONS

SCG Packaging Public Company Limited

Company Profile

Registration no.

0107537000921

Head office address

1 Siam Cement Road, Bangsue, Bangkok 10800

Business type

Holding company for packaging and packaging paper, forestry, pulp and paper and other businesses

Initial registered capital

(as at the registration date of conversion into the Public Limited Company on March 24, 1994)

Registered capital : 1,000 Million Baht

Paid-up capital : 1,000 Million Baht

Issued and paid up ordinary shares of : 100 Million shares,

Issued and paid up preference shares : - None -

Par value of 10 Baht per share

Present registered capital

Registered capital : 1,563 Million Baht

Paid-up capital : 1,563 Million Baht

Issued and paid up ordinary shares of : 156.3 Million shares,

Issued and paid up preference shares : - None -

Par value of 10 Baht per share

Website

www.scgpackaging.com

Shares Registrar

Tel : +66 2586 2894

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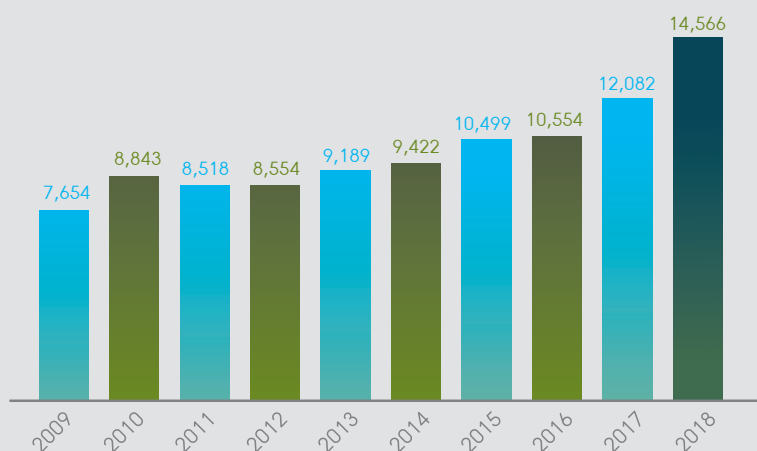
First 10 Major Shareholders
(As of December 31, 2018)

Financial Overview

SCG Packaging Public Company Limited and its Subsidiaries

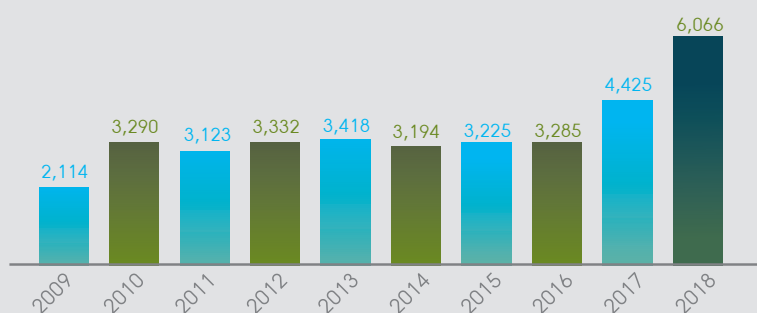
Unit : Million Baht

Profit Before Finance Costs, Income Tax Expense, Depreciation and Amortization - EBITDA



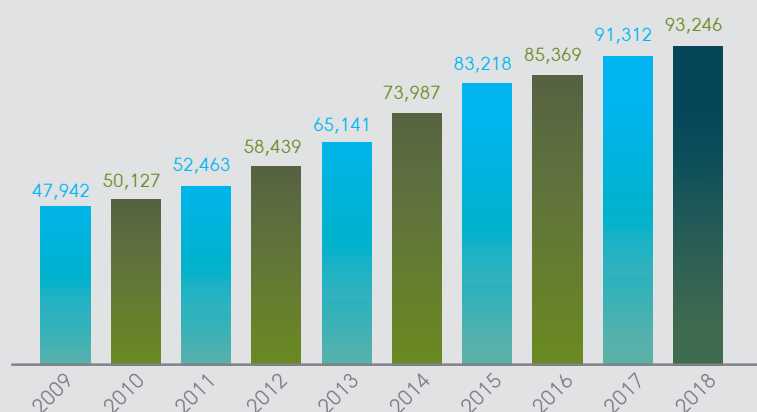
Unit : Million Baht

Profit Attributable to Owners of the Parent



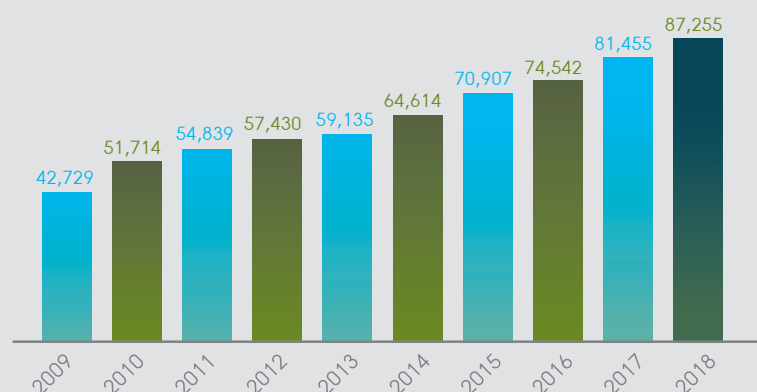
Unit : Million Baht

Total Assets



Unit : Million Baht

Revenue from Sales



Financial Overview

SCG Packaging Public Company Limited and its Subsidiaries

Unit : Million Baht

		2018	2017	2016	2015	2014
Statements of Income						
Revenue		87,770	82,862	75,128	71,598	65,107
Costs and expenses		(79,661)	(76,888)	(70,799)	(67,114)	(60,664)
EBITDA		14,566	12,082	10,554	10,499	9,422
Profit attributable to owners of the parent		6,066	4,425	3,285	3,225	3,194
Statements of Financial Position						
Assets		93,246	91,312	85,369	83,218	73,987
Liabilities		39,986	35,661	32,617	34,892	29,150
Total equity attributable to owners of the parent		40,441	42,891	40,402	38,339	35,714
Total shareholders' equity		53,260	55,651	52,752	48,326	44,837
Share Information						
Total number of shares issued	(Million Shares)	156.3	156.3	156.3	156.3	156.3
Book value per share	(Baht)	258.7	274.4	258.5	245.3	228.5
Basic earnings per share	(Baht)	38.8	28.3	21.0	20.6	20.4
Proposed dividends per share	(Baht)	10.0	50.0	5.0	5.0	5.0
Financial Ratio						
Dividends payout ratio	(%)	25.8	176.6	23.8	24.2	24.5
Profit on revenue from sales	(%)	7.0	5.4	4.4	4.5	4.9
Return on assets	(%)	6.6	5.0	3.9	4.1	4.6
Return on equity attributable to owners of the parent	(%)	14.6	10.6	8.3	8.7	9.1

*Green packaging solutions
for better life*



SCG Packaging Public Company Limited and its Key Subsidiaries

PACKAGING CHAIN

Packaging Business

Thai Containers Group Co., Ltd.
Conimex Co., Ltd.
D-In Pack Co., Ltd.
Dyna Packs Co., Ltd.
Tawana Container Co., Ltd.
TC Flexible Packaging Co., Ltd.
Thai Containers Khonkaen Co., Ltd.
Thai Containers Rayong Co., Ltd.
Precision Print Co., Ltd.
Prepack Thailand Co., Ltd.
SCGP-T Plastics Co., Ltd.
SCGP Solutions Co., Ltd.
Orient Containers Co., Ltd.
Alcamax Packaging (Vietnam) Co., Ltd. (Vietnam)
AP Packaging (Hanoi) Co., Ltd. (Vietnam)

New Asia Industries Co., Ltd. (Vietnam)
Packamex (Vietnam) Co., Ltd. (Vietnam)
PT Indocorr Packaging Cikarang (Indonesia)
PT Indoris Printingdo (Indonesia)
PT Primacorr Mandiri (Indonesia)
SCGP Solutions (Singapore) Pte. Ltd. (Singapore)
TCG Rengo (S) Ltd. (Singapore)
Tin Thanh Packing Joint Stock Company (Vietnam)

Packaging Paper Business

Thai Cane Paper Public Company Limited
Siam Kraft Industry Co., Ltd.
United Pulp and Paper Co., Inc. (The Philippines)
Vina Kraft Paper Co., Ltd. (Vietnam)

FIBROUS CHAIN

Forestry Business

The Siam Forestry Co., Ltd.

Pulp and Paper Business

Thai Union Paper Public Company Limited
(on process of liquidation)
Thai Paper Co., Ltd.
Phoenix Pulp & Paper Public Company Limited
Phoenix Utilities Co., Ltd.
Interpress Printers Sendirian Berhad (Malaysia)

OTHER BUSINESSES

Invenique Co., Ltd.
SCG Paper Energy Co., Ltd.
SCGP Excellence Training Center Co., Ltd.

Message from the Board of Directors

2018 was an eventful year driven by changes in the global economy. In the second half of the year, in particular, we faced with greater volatility spawned by diverse political and economic factors such as impacts of the trade war, rising interest rates and political tensions.

Although the ASEAN's overall economy in the first half of the year remained at a good level due to economic fundamentals, infrastructure investment and export activities, the effect of global economic volatility has intensified economic risk factors. Similar to the overall Thai economy in the first half of the year, Thailand has made an economic recovery due to factors of productions. However, in the second half of the year, Thailand had faced increased negative factors such as export slowdown, rising interest rate and the uncertain number of tourists.

The growth of the packaging paper industry in Thailand shared similar economic growth rate with domestic business expansion in 2018. On the ASEAN front, continuation of economic progress and manufacturers in the region managed to further production capacity in line with the positive momentum. A risk and an opportunity associated with the US-China trade war could lead to a relocation of production bases to and from Southeast Asia. In response to such changes, the company seeks to ensure the readiness for rapid adaptation by focusing on the internal efficiency enhancement, personnel development, business value creation, productivity improvement and cost-reduction initiative to keep pace with fast-changing technological changes and to enhance business's competitive advantages. As a result, SCG Packaging Public Company Limited's revenues from sales were reported at 87,255 Million Baht, or a 7% growth, and registered a total profit of 6,066 Million Baht in 2018, equaling to a 37% rise y-o-y.

Serving Total Packaging Solutions through Investment for Sustainable Growth

The company succeeds in the stake acquisition of Malaysian acclaimed food packaging manufacturer 'Interpress Printers Sendirian Berhad', best known with acceptance by the fast food sector. This transaction attests to business determination to strive to be ASEAN's leading total packaging solutions provider while maximizing the potential for addressing rising fast food demand amid lifestyle and consumer satisfaction. Additionally, the business also invested in United Pulp and Paper Co., Inc. (UPPC) which is a packaging paper subsidiary in the Philippines. UPPC will add an additional packaging paper capacity of approximately 230,000 tons per annum or double UPPC's existing capacity. The project is expected to begin operations in the fourth quarter of 2020.





Developing Innovative Products that Fit Consumers' Lifestyle

SCG Packaging Public Company Limited has adopted the notion of Circular Economy into business's operation. Besides maximizing resources utilization, focusing on product and service development is also one of the key directions; ensuring products' usability and accessibility, less resources consumptions, reusable and recyclable. Examples of eco-friendly products included micro flute for small-sized packaging that catered a great strength with light-weighted property, food packaging made from natural fibers and paper straws under the brand 'Fest' which suitably meeting consumers' needs on eco-friendly packaging, as well as the development of plastic film packaging (R-1), made from mono-material, which is a prerequisite for recycling and also offers product protection. In addition, the company also applied digital technologies to create data visibility, a tool for efficient value chain management, a data analytic platform which enhances the company's competitive advantages as well as the application of MARs (Mechanization, Automation, and Robotics) technology which transform the organization into smart factory, enhancing the effectiveness in work process as well as resources utilization, quickly adapting to the needs of customers and business's fast-moving environment.

Continuously Developing Human Resources, Social and Environment Aspects

Human development is always the priority to keep up with the evolving business and technology. To rapidly and effectively fulfill customers' needs, operational skills and employees' mindset toward total packaging solutions are encouraged to be in line with customer-centricity approach. In addition, the company also provide several knowledge dissemination to the society such as packaging design seminar led by global keynote speaker, targeted at students and public who are interested in packaging design as well as the provision of community's well-being through the development of environmentally-friendly manufacturing process. The company was also constantly sharing knowledge and supporting communities' activities to ensure sustainable income and growth.

The Board of Directors would like to express gratitude to all shareholders and other relevant parties for your continued contribution and support for SCG Packaging Public Company Limited. We urge you to trust that the company will continue to conduct the business effectively and transparently, while adhere to the principles of good governance and sustainable development for maximum benefits of all stakeholders.

Bangkok, January 30, 2019

(Roongrote Rangsiyopash)

Chairman

(Tanawong Areeratchakul)

Vice-Chairman and President

2018 Operating Results

SCG Packaging Public Company Limited and its Subsidiaries



Operating Results

In 2018, total revenue from sales of SCG Packaging Public Company Limited amounted to 87,255 Million Baht, an increase of 7% y-o-y. EBITDA was 14,566 Million Baht, a 21% rise from the previous year while profit for the year was 6,066 Million Baht, up 37% y-o-y owing to enhanced production efficiency and the company's cost reduction efforts.

Packaging Chain: Total sales volume grew 1% compared to the previous year due to improved export sales, especially to the ASEAN which saw demand grow 5% from 2017.

Fibrous Chain: Total sales volume of printing and writing paper dropped 4% compared to 2017, mainly due to a steady decline in domestic sales, particularly from Publication and Commercial segment.

Market and Competition

Domestic demand for paper packaging and corrugated containers continued to increase especially in the first nine months of 2018. However, the US-China trade war became intense and finally impacted in the fourth quarter, leading to a soften demand which resulted in an increase of 3 % y-o-y. Moreover, the ongoing US-China trade war may cause some manufacturers of paper packaging and corrugated containers to move their production bases in or out of the region.

Domestic demand for printing and writing paper dropped continuously in 2018 mainly due to printed media being edged out by digital media, especially Publication and Commercial segment. Meanwhile, imports of coated paper and copier paper decreased y-o-y. On the contrary, pulp capacity in global market remained stable while demand for pulp grow moderately, causing a steady pulp price.

Business Growth and Investment

Expanded food packaging business by acquiring a 68.3% stake in Interpress Printers Sendirian Berhad, a food-grade paper packaging company and highly accredited and vetted by the global leading fast food restaurant chain. Located in Malaysia, the company offers wide-ranging products including folding cartons, formed trays, clamshells, wrappers, and bags which have been well-received by global quick service restaurant chains. This investment emphasizes the company's commitment in becoming a total packaging solutions provider in ASEAN and enhances its potential to serve

the region's rapidly-growing demand for fast food consumption in response to evolving lifestyles and consumer preferences.

Approved to invest in United Pulp and Paper Co., Inc. (UPPC) which is a packaging paper subsidiary in the Philippines. UPPC will add an additional packaging paper capacity of approximately 230,000 tons per annum or double UPPC's existing capacity. The project is expected to begin operations in the fourth quarter of 2020. According to the investment, the total packaging paper capacity of the business will be becoming 2.8 million tons per year across Thailand, Vietnam and the Philippines.

Human Resources Development

Adjusted organizational structure to enhance flexibility and to better address customer demand. The company also pledged to create organizational effectiveness by updating processes, methods, models, and tools as well as developing the corporate culture, talent and leadership of leaders, enabling them to be role models and fostering strong ties with the company in a sustainable way.

Adopted the Innovation Management Process (IMP) concept to drive innovations and innovative products that can serve the needs of customers in a precise and timely manner.

Developed the potential of employees to cater to fast technological disruption through reskilling and upskilling together with promoting ongoing learning among employees where they are fully engaged in creating experience and learning themselves.

Equipped employees responsible for corporate branding and communication with knowledge and understanding along with instilling a mindset about Total Packaging Solutions Provider so as to satisfy customer demand more promptly.

Enhanced the communication skills of the Community Relations staff to boost efficiency in communicating with communities surrounding the plants and all involved parties appropriately. On top of this was learning to strategically devise activity plans that match the needs of the target groups to foster ties with the company and promote sustainable coexistence.



Product, Service and Solution Development in Accordance to Circular Economy

The business adopted the sustainable practice of Circular Economy in every aspect of business operation such as production management system, the effectiveness of resources utilization as well as products and services designing.

Developed micro flute paper for small-sized packaging. It offers a smooth surface to cater to high quality printing and great strength to satisfy the demand of industries for various packaging solutions.

Developed the manufacture of recyclable grocery bags in response to consumers' growing environmental concern. Ideal for consumer products, the grocery bags are sturdy and strong enough to support the weight of the items inside. Moreover, the used bags can be recycled in conformance with the circular economy concept which offer an alternative for consumers opting for eco-friendly packaging. The company also collaborated with modern trades and department stores to promote the



circular economy concept by encouraging the use of recyclable grocery bags. The goal was to encourage consumer behavior toward proper use of packaging to contribute to sustainable conservation of the environmental and natural resources.

Expanded distribution channels for parcel packaging for e-commerce, offering a wide range of parcel packaging and packing materials to cater to the needs of retailers.

Developed food packaging under the brand of “FEST”. The packaging is made from natural fiber from contract farming promoted by the business to help increase farmers’ household income. Available in various sizes and designs, the packaging is strong, water and oil-resistant, good for both hot and cold food, and microwavable, meeting various application needs.



Developed “FEST” paper straw made from food contact paper. It is recyclable, making it ideal for eco-conscious customers.

Developed a plastic film packaging (R-1), a multilayer laminated packaging which can be fully recyclable due to its monomaterial property. The packaging offers product protection. Its recyclability makes it ideal for customers looking for environmentally-friendly plastic packaging.

Applied digital technology as a tool to enhance the efficiency of value chain optimization. Mechanization, Automation and Robotics (MARs) were also adopted to transform the organization into smart factory, increasing an efficiency in both process and resources management.

Organized CEO Exclusive Forum 2018 for customers, presenting informative updates on economic and industry outlook as well as business strategies that would uplift customers’ business in return.

Co-branded with S&P Syndicate Public Company Limited to provide packaging solutions and exclusive packaging design for moon cake, with the concept of “Enjoy the Moon”. The designed packaging made from recycled papers which can be reused as containers or brought back to plant as raw material for the production of recycle paper.

Presented packaging solutions to Food and Beverage industry through the exhibit of THAIFEX – World of Food Asia 2018, hosted in Thailand, and VietFood, Beverage and Professional Packing Machines 2018 in Vietnam. Showcasing products, services and solutions, corresponding to the vision of “Total Packaging Solutions Provider”, such as flexible packaging, food packaging, merchandising display and logistic packaging.

Cooperated with leading organization in human resource development, the exchange of technological and innovative knowledge as well as research to modernize the packaging industry in terms of working process, product, service and new technology. In addition, support was offered to improve the organization in innovation and technology aspect.



Production Process Development

Applied biogas, derived from anaerobic water treatment, as a source of renewable energy production. A solar rooftop system was also installed to produce renewable energy for internal use, creating an efficient use of energy, as well as improved the condensate system which allows the plant to reuse the condensate, reducing energy consumption in production process.

Social and Environmental Responsibilities

Organized “The Challenge - Packaging Design Contest 2018” for the 3rd consecutive year to provide a stage for young designers to showcase their packaging design talents and to equip them with insights into customer-centric marketing. The contest was supported by several leading companies including S&P Syndicate Public Company Limited, Betterway (Thailand) Co., Ltd., Malee Group Public Company Limited, and Thaveevong Industry Co., Ltd. which judged and provided feedback on product application. The winning design will be further developed for use in the market.

Held a seminar on Design Talk 2018 where world-class designers shared their packaging design experience with students, academic personnel, designers, and those

interested in packaging design in Thailand. The objective was to inspire designers to enhance design perspective, uplifting the Thai packaging industry.

Organized the Green Mart project for the 5th consecutive year to generate more income for communities surrounding the plants and create a social enterprise network by providing a market for local enterprises to promote their products. In 2018, the communities surrounding the plants had a total sales of 737,000 baht (12 times).

Encouraged a sustainable income for communities surrounding the plants through training of basket weaving from paper band; waste from paper manufacturing processes which can be designed into bags, basket and decorative items, as well as provided multiple channels for sales promotion. In 2018, products from paper band had a total sales of 1,029,470 Baht; adding values to waste and promoting communities’ economic growth sustainably.

Irrigated water for cultivation to agriculturalists surrounding the plant, help reducing water expense while enhancing the income as well as agricultural productivity. In 2018, water of 4,202,371 cubic meters were irrigated from the plants.



Major Awards and Achievement in 2018

Thai Containers Group Co., Ltd. received the award from WorldStar Awards 2018, a global contest in packaging design, in “Health & Personal Care” and “Household” categories, from World Packaging Organisation (WPO).

SCG Packaging Public Company Limited and Thai Containers Group Co., Ltd. received the award from AsiaStar Awards 2018, a regional contest in packaging design, in Consumer Package category (2 awards) and Point of Purchase category (1 award) from Asian Packaging Federation (APF).

SCG Packaging Public Company Limited and Thai Containers Group Co., Ltd. received 3 awards from ThaiStar Awards 2018, a national contest in packaging design, in the category of “Consumer Package”. Thai Containers Group Co., Ltd. also received an award in the category of “Eco Package” and “Point of Purchase” (12 awards) from the department of Industrial Promotion, Ministry of Industry.



Thai Containers Group Co., Ltd. received awards in Asian Packaging Excellence Awards 2018, under the category of “Offset Printed Bag”, “Offset Folding Carton”, “Structural Design” and “Concept/ Graphic Design”. The business also won the 1st runner up award for Suriya Sasitorn Calendar Competition in the category of “National Identity and Cultural Promotion: AEC” organized by the Thailand Public Relations Association.

Thai Containers Group Co., Ltd., Ratchaburi Plant, Navanakorn Plant, Saraburi Plant, Samutprakarn Plant, Chonburi Plant, Prachinburi Plant, Pathumthani Plant, Thai Containers Khonkaen Co., Ltd., Thai Containers Rayong Co., Ltd., Tawana Container Co., Ltd., Prepack Thailand Co., Ltd., Ampawa Plant, Dyna Packs Co., Ltd., Thai Cane Paper Public Company Limited, Kanchanaburi Plant and Siam Kraft Industry Co., Ltd., Banpong Plant were awarded with the Outstanding Workplace Award for Safety, Occupational Health and Environment in national level, organized by the Department of Labor Protection and Welfare, Ministry of Labor.

Thai Containers Group Co., Ltd., Ratchaburi Plant and Siam Kraft Industry Co., Ltd. Banpong Plant received the award of an Outstanding Workplace Award for Labor Development Promotion 2018, organized by the Department of Labor Protection and Welfare, Ministry of Labor.

Thai Containers Group Co., Ltd., Samutprakarn Plant, Thai Container Khonkaen Co., Ltd. and Phoenix Pulp and Paper Public Company Limited, received the award from Environmental Governance and Safety award 2018 (Green Star Award) from the Industrial Estate Authority of Thailand, Ministry of Industry.

Thai Containers Group Co., Ltd., Ratchaburi Plant, received the award in Advanced Special Award for TPM Achievement while Navanakorn Plant received the award in Special Award for TPM Achievement from TPM Awards Ceremony 2017, organized by Japan Institute of Plant Maintenance (JIPM).

Thai Cane Paper Public Company Limited, Prachinburi Plant received a Silver Award in the category of “Support QCC Prize” while Siam Kraft Industry Co., Ltd., Banpong Plant, received both Golden and Silver Awards in the category of “Support QCC Prize” from Thailand Quality Prize 2018 competition from the Technology Promotion Association (Thailand – Japan).

Thai Cane Paper Public Company Limited Kanchanaburi Plant was awarded with The Prime Minister’s Industry Award 2018, in the category of “Production Enhancement”, organized by the Ministry of Industry.

Thai Cane Paper Public Company Limited, Kanchanaburi Plant, Prachinburi Plant, Siam Kraft Industry Co., Ltd. Wangsala Plant, Thai Paper Co., Ltd., Banpong Plant and Orient Containers Co., Ltd. were awarded with CSR-DIW Continuous Awards from the Department of Industrial Works, Ministry of Industry.

Siam Kraft Industry Co., Ltd., Wangsala Plant was awarded with first prize in Thailand Coal Awards 2018 from the category of “Excellence Coal Management”, organized by the Department of Mineral Fuels, Ministry of Energy.



Siam Kraft Industry Co., Ltd., Banpong Plant received the Golden Award from Thailand Kaizen Awards 2018 from the Technology Promotion Association (Thailand – Japan).

Phoenix Pulp and Paper Public Company Limited was awarded for an Outstanding Organization Award – Labor Relations and Welfare in 2018 from the Department of Labor Protection and Welfare, Ministry of Labor.

The Board of Directors and Executive Officers

SCG Packaging Public Company Limited and its Subsidiaries
(As of December 31, 2018)

The Board of Directors

SCG Packaging Public Company Limited

Mr. Roongrote Rangsiyopash

Chairman

Mr. Tanawong Areeratchakul

Vice-Chairman and President

Mr. Somchai Wangwattanapanich

Director

Mr. Aree Chavalitcheewingul

Director

Mr. Nithi Patarachoke

Director

Mr. Thammasak Sethaudom*

Director

* Appointed as a director on 1st October 2018,
replacing Mr. Chaovalit Ekabut

Executive Officers

SCG Packaging Public Company Limited
and its Subsidiaries

Mr. Tanawong Areeratchakul

Vice-Chairman and President

SCG Packaging Public Company Limited

Packaging Chain

Packaging Business

Mr. Wichan Jitpukdee

Managing Director

Thai Containers Group Co., Ltd.

Thai Containers Khonkaen Co., Ltd.

Thai Containers Rayong Co., Ltd.

Orient Containers Co., Ltd.

Mr. Jakjit Klomsing

Managing Director

Tawana Container Co., Ltd.

Mr. Leaudej Vimonpackt

Managing Director

Dyna Packs Co., Ltd.

Mr. Ekasit Kitisakchaikul

Managing Director

D-In Pack Co., Ltd.

Mr. Karan Tejasen

Managing Director

TC Flexible Packaging Co., Ltd.

SCGP-T Plastics Co., Ltd.

Mr. Paradorn Chulajata

Managing Director

Prepack Thailand Co., Ltd.

Mr. Tawatchai Jungsomsri

Managing Director

Precision Print Co., Ltd.

Mr. Prachaya Chungsaengsatidporn

Executive Managing Director

Conimex Co., Ltd.

Mr. Amnuay Pattaramongkolkul

General Director

Alcamax Packaging (Vietnam) Co., Ltd. (Vietnam)
AP Packaging (Hanoi) Co., Ltd. (Vietnam)
New Asia Industries Co., Ltd. (Vietnam)
Packamex (Vietnam) Co., Ltd. (Vietnam)

Mr. Surasak Songkul

President Director

PT Indoris Printingdo (Indonesia)
PT Indocorr Packaging Cikarang (Indonesia)
PT Primacorr Mandiri (Indonesia)

Mr. Somchart Patamamongkonchai

General Director

Tin Thanh Packing Joint Stock Company (Vietnam)

Packaging Paper Business

Mr. Sangchai Wiriyapaiwong

Managing Director

Thai Cane Paper Public Company Limited
Siam Kraft Industry Co., Ltd.

Mr. Danaidej Ketsuwan

President and CEO

United Pulp and Paper Co., Inc. (The Philippines)

Mr. Sompob Witworrasakul

General Director

Vina Kraft Paper Co., Ltd. (Vietnam)

Fibrous Chain

Forestry Business

Mr. Mahasan Thieravarut

Managing Director

The Siam Forestry Co., Ltd.

Pulp and Paper Business

Mr. Wichan Charoenkitsupat

Managing Director

Thai Paper Co., Ltd.

Phoenix Pulp & Paper Public Company Limited

Phoenix Utilities Co., Ltd.

Mr. Ratha Kerisnan

Managing Director

Interpress Printers Sendirian Berhad (Malaysia)

Other Businesses

Mr. Suchai Korprasertsri

Managing Director

Invenique Co., Ltd.

Mr. Panya Sopasriphan

Managing Director

SCG Paper Energy Co., Ltd.

Mr. Jesda Saeliang

Managing Director

SCGP Excellence Training Center Co., Ltd.

*We innovate packaging solutions
for better life*



2018 Consolidated Financial Statements

**SCG Packaging Public Company Limited
and its Subsidiaries**



Independent auditor's report

To the Shareholders of SCG Packaging Public Company Limited

Opinion

I have audited the consolidated financial statements of SCG Packaging Public Company Limited and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated income statement and statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2018, its financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs).

Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing (TSAs). My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of my report. I am independent of the Group in accordance with the Code of Ethics for Professional Accountants issued by the Federation of Accounting Professions that is relevant to my audit of the consolidated 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.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and my auditor's report thereon.

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

In connection with my audit of the consolidated financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated 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 consolidated financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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 management 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.



(Thanyalux Keadkeaw)
 Certified Public Accountant
 Registration No. 8179

KPMG Phoomchai Audit Ltd.
 Bangkok
 12 February 2019

Consolidated statement of financial position

SCG Packaging Public Company Limited and its Subsidiaries

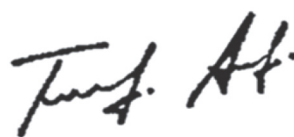
As at 31 December 2018

Assets	Note	2018	2017
<i>(in thousand Baht)</i>			
Current assets			
Cash and cash equivalents		2,095,349	1,383,637
Current investments		803,011	247,247
Trade and other current receivables	5, 6	13,835,757	13,871,966
Short-term loans to related parties	5	127,152	811
Current portion of long-term loan to related party	5	92,738	-
Inventories	7	12,894,256	13,417,037
Other current assets		226,011	396,252
Total current assets		30,074,274	29,316,950
Non-current assets			
Investments in associates	8	729,740	760,734
Other long-term investments		16,192	16,192
Other non-current receivables	5	768,513	819,768
Long-term loan to related party	5	-	98,333
Investment properties	10	185,575	106,281
Property, plant and equipment	11	58,378,647	57,142,842
Goodwill	12	2,289,836	1,994,878
Other intangible assets	13	307,716	276,410
Deferred tax assets	14	378,649	405,213
Others non-current assets		117,043	374,835
Total non-current assets		63,171,911	61,995,486
Total assets		93,246,185	91,312,436

For and on behalf of the Board of Directors



(Roongrote Rangsiyopash)
Chairman



(Tanawong Areeratchakul)
Vice-Chairman and President

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

Consolidated statement of financial position

SCG Packaging Public Company Limited and its Subsidiaries

As at 31 December 2018

Liabilities and shareholders' equity	Note	2018	2017
		<i>(in thousand Baht)</i>	
<i>Current liabilities</i>			
Bank overdrafts and short-term borrowings from			
financial institutions	15	4,312,464	5,079,763
Trade and other current payables	5, 16	8,573,666	9,095,099
Current portion of long-term borrowings	17	151,996	2,401,621
Current portion of finance lease liabilities	18	13,823	48,425
Short-term borrowings from related parties	5	23,415,700	15,496,563
Current income tax payable		529,798	228,607
Short-term provisions		194,026	98,619
Total current liabilities		37,191,473	32,448,697
<i>Non-current liabilities</i>			
Long-term borrowings from financial institutions	17	587,129	1,297,658
Finance lease liabilities	18	15,327	30,632
Deferred tax liabilities	14	216,694	270,236
Non-current provisions for employee benefits	19	1,905,638	1,484,048
Other non-current liabilities		70,193	130,569
Total non-current liabilities		2,794,981	3,213,143
Total liabilities		39,986,454	35,661,840

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

Consolidated statement of financial position

SCG Packaging Public Company Limited and its Subsidiaries

As at 31 December 2018

Liabilities and shareholders' equity	Note	2018	2017
		<i>(in thousand Baht)</i>	
Shareholders' equity			
Share capital	20		
<i>Authorized share capital</i>			
- Ordinary share		1,563,000	1,563,000
<i>Issued and paid share capital</i>			
- Ordinary share		1,563,000	1,563,000
Share premium	21	1,935,000	1,935,000
Retained earnings			
<i>Appropriated</i>			
Legal reserve	21	156,300	156,300
General reserve		3,000	3,000
<i>Unappropriated</i>		40,145,205	42,129,342
Other components of shareholders' equity		(3,361,868)	(2,895,380)
Total equity attributable to owners of the parent		40,440,637	42,891,262
Non-controlling interests	9	12,819,094	12,759,334
Total shareholders' equity		53,259,731	55,650,596
Total liabilities and shareholders' equity		93,246,185	91,312,436

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

Consolidated income statement

SCG Packaging Public Company Limited and its Subsidiaries

For the year ended 31 December 2018

	Note	2018	2017
		<i>(in thousand Baht)</i>	
Revenue from sales	5	87,254,869	81,455,287
Cost of sales	5	(69,074,282)	(67,290,666)
Gross profit		18,180,587	14,164,621
Gain on exchange rate		151,930	157,675
Other income	5,11	363,021	1,249,111
Profit before expenses		18,695,538	15,571,407
Distribution costs	5, 22	(4,964,650)	(4,874,030)
Administrative expenses	5, 23	(4,582,826)	(3,840,860)
Total expenses		(9,547,476)	(8,714,890)
Profit from operations		9,148,062	6,856,517
Finance costs	5	(1,039,637)	(882,914)
Share of (loss) profit of associates	8	(14,603)	4,133
Profit before income tax		8,093,822	5,977,736
Tax expense	25	(1,267,522)	(603,394)
Profit for the year		6,826,300	5,374,342
Profit attributable to:			
Owners of the parent		6,065,539	4,425,349
Non-controlling interests	9	760,761	948,993
		6,826,300	5,374,342
<i>Basic earnings per share (in Baht)</i>			
Attributable to owners of the parent	27	38.81	28.31

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

Consolidated statement of comprehensive income

SCG Packaging Public Company Limited and its Subsidiaries

For the year ended 31 December 2018

	Note	2018	2017
		<i>(in thousand Baht)</i>	
Profit for the year		6,826,300	5,374,342
Other comprehensive income			
<i>Components of other comprehensive income</i>			
<i>that will be reclassified to profit or loss</i>			
Exchange differences on translating financial statement		(319,990)	(1,529,282)
Share of other comprehensive income of associates		-	30,685
<i>Total components of other comprehensive income</i>			
<i>that will be reclassified to profit or loss</i>		(319,990)	(1,498,597)
<i>Components of other comprehensive income</i>			
<i>that will not be reclassified to profit or loss</i>			
Defined benefit plan actuarial losses	19	(343,227)	(30,059)
Share of other comprehensive income of associate	8	(519)	(234)
Income tax relating to components of other comprehensive			
income that will not be reclassified to profit or loss	25	66,578	7,787
<i>Total components of other comprehensive income</i>			
<i>that will not be reclassified to profit or loss</i>		(277,168)	(22,506)
Other comprehensive income for the year, net of tax		(597,158)	(1,521,103)
Total comprehensive income for the year		6,229,142	3,853,239
Total comprehensive income attributable to			
Owners of the parent		5,557,199	3,311,012
Non-controlling interests		671,943	542,227
		6,229,142	3,853,239

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

Consolidated statement of changes in shareholders' equity

SCG Packaging Public Company Limited and its Subsidiaries

For the year ended 31 December 2018

	Note	Retained earnings				Other components of shareholders' equity				Total equity attributable to owners of the parent	Non-controlling interests	Total shareholders' equity
		Appropriated		Unappropriated	Translation of financial statement	Changes in other components from shareholders						
		Share premium	Legal reserve				General reserve					
<i>(in thousand Baht)</i>												
Balance at 1 January 2017		1,563,000	1,935,000	156,300	3,000	38,502,387	(712,453)	(1,044,889)	40,402,345	12,349,243	52,751,588	
Transactions with owners, recorded directly in shareholders' equity												
Contributions by and distributions to owners of the parent												
Dividends	28	-	-	-	-	(781,500)	-	-	(781,500)	(185,235)	(966,735)	
Total contributions by and distributions to owners of the parent		-	-	-	-	(781,500)	-	-	(781,500)	(185,235)	(966,735)	
Changes in ownership interests in subsidiaries												
Changes that do not result in a loss of control		-	-	-	-	-	-	(40,595)	(40,595)	(160,244)	(200,839)	
Changes that result in an acquisition or a loss of control		-	-	-	-	-	-	-	-	213,343	213,343	
Total changes in ownership interests in subsidiaries		-	-	-	-	-	-	(40,595)	(40,595)	53,099	12,504	
Total transactions with owners, recorded directly in shareholders' equity		-	-	-	-	(781,500)	-	(40,595)	(822,095)	(132,136)	(954,231)	
Comprehensive income for the year												
Profit or loss		-	-	-	-	4,425,349	-	-	4,425,349	948,993	5,374,342	
Other comprehensive income		-	-	-	-	(16,894)	(1,097,443)	-	(1,114,337)	(406,766)	(1,521,103)	
Total comprehensive income for the year		-	-	-	-	4,408,455	(1,097,443)	-	3,311,012	542,227	3,853,239	
Balance at 31 December 2017		1,563,000	1,935,000	156,300	3,000	42,129,342	(1,809,896)	(1,085,484)	42,891,262	12,759,334	55,650,596	

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

Consolidated statement of changes in shareholders' equity

SCG Packaging Public Company Limited and its Subsidiaries

For the year ended 31 December 2018

	Note	Retained earnings				Other components of shareholders' equity				Total equity attributable to owners of the parent	Non-controlling interests	Total shareholders' equity
		Appropriated		Unappropriated		Translation of financial statement <i>(in thousand Baht)</i>	Changes in other components from shareholders					
		Issued and paid share capital	Share premium	Legal reserve	General reserve							
Balance at 1 January 2018		1,563,000	1,935,000	156,300	3,000	42,129,342	(1,809,896)	(1,085,484)	42,891,262	12,759,334	55,650,596	
Transactions with owners, recorded directly in shareholders' equity												
Contributions by and distributions to owners of the parent												
Dividends	28	-	-	-	-	(7,815,000)	-	-	(7,815,000)	(254,454)	(8,069,454)	
Total contributions by and distributions to owners of the parent		-	-	-	-	(7,815,000)	-	-	(7,815,000)	(254,454)	(8,069,454)	
Changes in ownership interests in subsidiaries												
Changes that do not result in a loss of control		-	-	-	-	-	-	(192,824)	(192,824)	(447,193)	(640,017)	
Changes that result in an acquisition or a loss of control		-	-	-	-	-	-	-	-	89,464	89,464	
Total changes in ownership interests in subsidiaries		-	-	-	-	-	-	(192,824)	(192,824)	(357,729)	(550,553)	
Total transactions with owners, recorded directly in shareholders' equity		-	-	-	-	(7,815,000)	-	(192,824)	(8,007,824)	(612,183)	(8,620,007)	
Comprehensive income for the year												
Profit or loss		-	-	-	-	6,065,539	-	-	6,065,539	760,761	6,826,300	
Other comprehensive income		-	-	-	-	(234,676)	(273,664)	-	(508,340)	(88,818)	(597,158)	
Total comprehensive income for the year		-	-	-	-	5,830,863	(273,664)	-	5,557,199	671,943	6,229,142	
Balance at 31 December 2018		1,563,000	1,935,000	156,300	3,000	40,145,205	(2,083,560)	(1,278,308)	40,440,637	12,819,094	53,259,731	

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

Consolidated statement of cash flows

SCG Packaging Public Company Limited and its Subsidiaries

For the year ended 31 December 2018

	<i>Note</i>	2018	2017
		<i>(in thousand Baht)</i>	
<i>Cash flows from operating activities</i>			
Profit for the year		6,826,300	5,374,342
<i>Adjustments for</i>			
Tax expense		1,267,522	603,394
Depreciation and amortization		5,381,693	5,190,134
Bad debt and doubtful debts expenses		42,556	3,643
Loss on inventories devaluation		170,457	108,071
Employee benefit expense		239,433	150,526
Unrealized losses (gains) on foreign currency exchange		(9,060)	336
Share of loss (profit) of associates	8	14,603	(4,133)
Gain on a bargain purchase	4	-	(65,322)
Loss on sales of investments and other	8	9,500	35,007
Impairment losses on property, plant and equipment and other intangible assets		24,126	15,424
Loss (gain) on sales of property, plant and equipment and other intangible assets		16,357	(908,911)
Dividend Income		(10,762)	(14,125)
Interest income		(61,135)	(21,345)
Interest expense		988,501	860,198
Cash flows generated from operations before changes in operating assets and liabilities		14,900,091	11,327,239
<i>Decrease (increase) in operating assets</i>			
Trade and other current receivables		169,792	(1,703,284)
Inventories		292,545	(2,847,635)
Other current assets and other non-current assets		113,974	(272,639)
Net decrease (increase) in operating assets		576,311	(4,823,558)

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

Consolidated statement of cash flows

SCG Packaging Public Company Limited and its Subsidiaries

For the year ended 31 December 2018

	<i>Note</i>	2018	2017
		<i>(in thousand Baht)</i>	
<i>Increase (decrease) in operating liabilities</i>			
Trade and other current payables		(286,597)	1,085,721
Provision for employee benefits		(172,760)	(154,251)
Other current liabilities and other non-current liabilities		8,268	(97,372)
Net increase (decrease) in operating liabilities		(451,089)	834,098
Net cash flows generated from operations		15,025,313	7,337,779
Income tax paid		(773,180)	(595,701)
Net cash flows provided by operating activities		14,252,133	6,742,078
<i>Cash flows from investing activities</i>			
Acquisition of subsidiaries, net of cash acquired	4	(451,470)	(540,348)
Proceeds from sales of investment	8	257,309	106,114
Current investments		(555,809)	(205,240)
Proceeds from sales of property, plant and equipment and other intangible assets		151,256	1,105,343
Acquisition of property, plant and equipment		(6,870,171)	(6,106,722)
Acquisition of investment properties		(64,411)	-
Acquisition of other intangible assets		(77,220)	(45,909)
Proceeds from (payment of) repayment of short-term loans to related parties		(126,341)	4,439
Payment of repayment of long-term loan to related parties		-	(98,333)
Dividends received		26,634	32,913
Interest received		51,080	9,213
Net cash flows used in investing activities		(7,659,143)	(5,738,530)

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

Consolidated statement of cash flows

SCG Packaging Public Company Limited and its Subsidiaries

For the year ended 31 December 2018

	2018	2017
	<i>(in thousand Baht)</i>	
<i>Cash flows from financing activities</i>		
Proceeds from change in ownership interests in subsidiaries		
that do not result in a loss of control	-	90,882
Payments of changes in ownership interests in subsidiaries		
that do not result in a loss of control	(640,017)	(291,615)
<i>Proceeds from (payments of) borrowings</i>		
Decrease in bank overdrafts and short-term borrowings		
from financial institutions	(933,029)	(235,012)
Increase in short-term borrowing from related parties	7,919,137	2,976,651
Proceeds from long-term borrowings from financial institutions	351,489	709,527
Payments of long-term borrowings from financial institutions	(3,307,059)	(2,385,166)
Payments of finance lease liabilities	(140,960)	(47,754)
Net increase in borrowings	3,889,578	1,018,246
Dividends paid		
Dividends paid to owners of the parent	(7,815,000)	(781,500)
Dividends paid to non-controlling interests	(254,454)	(185,235)
Total dividends paid	(8,069,454)	(966,735)
Interest paid	(1,012,063)	(871,129)
Net cash flows used in financing activities	(5,831,956)	(1,020,351)
Net increase (decrease) in cash and cash equivalents	761,034	(16,803)
Effect of exchange rate changes on cash and cash equivalents	(49,322)	(117,748)
Cash and cash equivalents at beginning of the year	1,383,637	1,518,188
Cash and cash equivalents at end of the year	2,095,349	1,383,637
<i>Supplementary information for cash flows</i>		
Non-cash transactions		
Account payables from purchase of assets	538,639	702,225
Accrued investments	181,783	114,992

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

Notes to the financial statements

SCG Packaging Public Company Limited and its Subsidiaries

For the year ended 31 December 2018

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SCG Packaging Public Company Limited and its Subsidiaries

For the year ended 31 December 2018

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Notes to the financial statements

SCG Packaging Public Company Limited and its Subsidiaries

For the year ended 31 December 2018

These notes form an integral part of the consolidated financial statements.

The consolidated financial statements issued for Thai statutory and regulatory reporting purposes are prepared in the Thai and English languages, and were approved and authorized for issue by the management on 12 February 2019.

1 General information

SCG Packaging Public Company Limited, the “Company”, is a company incorporated in Thailand.

The head office of the Company is located at 1 Siam Cement Road, Bangsue, Bangkok 10800, Thailand.

The parent company is The Siam Cement Public Company Limited. It was incorporated in Thailand.

The Company and its subsidiaries, the “Group” are mainly engaged in the manufacturing of pulp, paper and packaging.

Details of the Company’s subsidiaries, which have significant operations and were included in the consolidated financial statements, are as follows:

	2018	2017
	Direct / Indirect Holding (%)	
<i>Registered in Thailand</i>		
Siam Kraft Industry Co., Ltd.	100	100
SCGP Excellence Training Center Co., Ltd.	100	100
SCG Paper Energy Co., Ltd.	100	100
SCGP Solutions Co., Ltd.	100	100
SCGP-T Plastics Co., Ltd.	100	100
Thai Cane Paper Public Company Limited	98.20	94.54
Precision Print Co., Ltd.	75	75
Conimex Co., Ltd.	75	75
Thai Containers Group Co., Ltd.	70	70
Thai Containers Khonkaen Co., Ltd.	70	70
Thai Containers Rayong Co., Ltd.	70	70
Dyna Packs Co., Ltd.	70	52.50
Orient Containers Co., Ltd.	70	52.50
D-In Pack Co., Ltd.	70	52.50

Notes to the financial statements

SCG Packaging Public Company Limited and its Subsidiaries

For the year ended 31 December 2018

	2018	2017
	Direct / Indirect Holding (%)	
Phoenix Pulp & Paper Public Company Limited	69.58	69.58
Phoenix Utilities Co., Ltd.	69.58	69.58
Thai Paper Co., Ltd.	69.58	69.58
The Siam Forestry Co., Ltd.	69.58	69.58
Thai Union Paper Public Company Limited*	69.55	69.55
TC Flexible Packaging Co., Ltd.	52.50	52.50
Tawana Container Co., Ltd.	50.40	50.40
Prepack Thailand Co., Ltd.	37.80	37.80
<i>Registered in Philippines</i>		
United Pulp and Paper Co., Inc.	99.70	99.70
<i>Registered in Vietnam</i>		
Vina Kraft Paper Co., Ltd.	70	70
New Asia Industries Co., Ltd.	70	70
Alcamax Packaging (Vietnam) Co., Ltd.	70	70
AP Packaging (Hanoi) Co., Ltd.	70	70
Packamex (Vietnam) Co., Ltd.	70	70
Tin Thanh Packing Joint Stock Company	47.24	47.24
<i>Registered in Singapore</i>		
SCGP Solutions (Singapore) Pte. Ltd.	100	100
TCG Rengo (S) Limited	70	70
<i>Registered in Indonesia</i>		
PT Indoris Printingdo	69.97	63
PT Primacorr Mandiri	67.90	63
PT Indocorr Packaging Cikarang	56	56
<i>Registered in Malaysia</i>		
Interpress Printers Sendirian Berhad	68.30	-

* Shareholders voted to approve the resolution to dissolve Thai Union Paper Public Company Limited. The company had registered the dissolution with Ministry of Commerce on July 31, 2018 and currently in the liquidation process.

Notes to the financial statements

SCG Packaging Public Company Limited and its Subsidiaries

For the year ended 31 December 2018

Most of the above subsidiaries were established in Thailand unless otherwise stated. There was no material change in the percentage of holding from 2017, except as discussed in note 4.

During 2018, the Group acquired the ordinary shares of Interpress Printers Sendirian Berhad which is incorporated in Malaysia. This company is included in the Group's consolidated financial statements, as discussed in note 4.

2 Basis of preparation of the financial statements

(a) *Statement of compliance*

The consolidated financial statements are prepared in accordance with Thai Financial Reporting Standards (TFRSs) and guidelines promulgated by the Federation of Accounting Professions ("FAP").

The FAP has issued new and revised TFRSs effective for annual accounting periods beginning on or after 1 January 2018. The adoption of these new and revised TFRSs did not have any material effect on the accounting policies, methods of computation, financial performance or position of the Group.

In addition to the above new and revised TFRSs, the FAP has issued a number of new and revised TFRSs which are effective for annual financial period beginning on or after 1 January 2019 and 2020 and have not been adopted in the preparation of these consolidated financial statements because they are not yet effective. The new and revised TFRSs are disclosed in note 34.

(b) *Basis of measurement*

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the consolidated statements of financial position:

- contingent consideration assumed in a business combination are measured at fair value.
- biological assets are measured at fair value less cost to sell.
- defined benefit obligations are measured at the present value of non-current provisions for defined benefit plans.

Notes to the financial statements

SCG Packaging Public Company Limited and its Subsidiaries

For the year ended 31 December 2018

(c) *Functional and presentation currency*

The consolidated financial statements are prepared and presented in Thai Baht, which is the Company's functional currency. All financial information presented in Thai Baht has been rounded in the notes to the financial statements to the nearest thousand unless otherwise stated.

(d) *Use of estimates and judgments*

The preparation of consolidated financial statements in conformity with TFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

Information about significant areas of estimation uncertainty and critical assumptions in applying accounting policies that have the most significant effect on the amount recognized in the financial statements is included in the following notes:

Note 4	Acquisitions of subsidiary: fair value of the consideration transferred (including contingent consideration) and fair value of the assets acquired and liabilities assumed;
Note 8, 10, 11, 12 and 13	Impairment test: key assumptions underlying recoverable amount;
Note 6, 7, 8, 10, 11, 12 and 13	Measurement of the recoverable amounts of each asset and cash-generating units;
Note 14 and 25	Recognition of deferred tax assets: availability of future taxable profit against which tax losses carried forward can be used;
Note 19	Measurement of non-current provision for defined benefit obligations: key actuarial assumptions; and
Note 31	Recognition and measurement of provisions and contingent liabilities.

Notes to the financial statements

SCG Packaging Public Company Limited and its Subsidiaries

For the year ended 31 December 2018

Measurement of fair values

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

The Group has an established framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the CFO.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of TFRS, including the level in the fair value hierarchy in which these valuations should be classified.

Significant valuation issues are reported to the Group's Board of Directors.

When measuring the fair value of an asset or a liability, the Group uses observable market 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 that the entity can access at the measurement date.
- 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 are unobservable inputs for the asset or liability.

If the inputs used to measure the fair value of an asset or liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

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Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 4 Acquisitions of business and changes in ownership interests in subsidiaries;
- Note 10 Investment properties; and
- Note 30 Financial instruments.

3 Significant accounting policies

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

(a) *Basis of consolidation*

The consolidated financial statements relate to the Group and the Group's interests in associates.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income or expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Non-controlling interests

At the acquisition date, the Group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

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Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates.

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies.

Interests in associates and joint ventures are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence ceases.

Business combinations

The Group applies the acquisition method for all business combinations when control is transferred to the Group, as described in subsidiaries section, other than those with entities under common control.

The acquisition date is the date on which control is transferred to the acquirer. Judgment is applied in determining the acquisition date and determining whether control is transferred from one party to another.

In a business combination achieved in stages, the Group shall remeasure its previously held equity interest in the acquiree to its acquisition-date fair value and recognize the resulting gain or loss in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Goodwill is measured as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the fair value amount of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. Any gain on bargain purchases is recognized in profit for the period immediately.

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Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination.

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

The Group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree.

Transaction costs that the Group incurs in connection with a business combination, such as legal fees, and other professional and consulting fees are expensed as incurred.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

(b) Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rates ruling at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of reporting period are translated to the functional currency at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognized in profit or loss.

Non-monetary assets and liabilities measured at cost in foreign currencies are translated to the functional currency using the foreign exchange rates ruling at the dates of the transactions. Non-monetary assets and liabilities measured at fair value in foreign currencies are translated to the functional currency at the foreign exchange rates ruling at the dates when the fair value was measured.

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Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Thai Baht at the foreign exchange rates ruling at the end of reporting period.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are stated at exchange rates ruling on transaction dates for acquisition occurred before the date 1 January 2013, and stated at exchange rates ruling at the end of reporting period for acquisition beginning on or after 1 January 2013.

The revenues and expenses of foreign operations are translated to Thai Baht at rates approximating the foreign exchange rates ruling at the dates of the transactions and using the weighted average method.

Foreign exchange differences arising on translation are recognized in other comprehensive income and presented in other components of equity until disposal of the investments, except to extent that the translation difference is allocated to non-controlling interests.

When a foreign operation is disposed of in its entirety or partially such that control or significant influence is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of an associate while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognized in other comprehensive income, and presented in other components of equity until disposal of the foreign operation.

(c) Cash and cash equivalents

Cash and cash equivalents in the statements of cash flows comprise cash on hand, saving deposits, current deposits and highly liquid short-term investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

In addition, bank overdrafts that are repayable on demand are a component of financing activities for the purpose of the statement of cash flows.

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(d) Trade and other receivables

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

The allowance for doubtful accounts is primarily assessed on analysis of payment histories and future expectations of receivable payments. Bad debts are written off when incurred.

Bad debts recovered are recognized in other income in profit or loss.

(e) Inventories

Inventories are measured at the lower of cost and net realizable value.

Cost is calculated using the following formula:

Finished goods	-	at standard costs which approximate actual production costs
Merchandise	-	at average cost
Goods in process	-	at standard cost
Raw materials, spare parts, stores, supplies and others	-	at average cost

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

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

(f) Non-current assets classified as held for sale

Non-current assets (or disposal groups comprising assets and liabilities) are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use which are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to remaining assets and

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For the year ended 31 December 2018

liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets and deferred tax assets. Impairment losses on initial classification as held for sale or held for distribution and subsequent gains and losses on remeasurement are recognized in profit or loss.

Once classified as held for sale, property, plant and equipment and intangible assets are no longer depreciated or amortized, and any equity-accounted investee is no longer equity accounted.

(g) Biological assets

Biological assets are measured at fair value less costs to sell (the incremental cost directly attributable to the disposal of a biological asset), except for the case where the fair value cannot be measured reliably, there are measured at cost less accumulated depreciation and impairment losses. Gain or losses on changes in fair value less costs to sell are recognized in profit or loss.

(h) Investments

Investments in associates

Investments in associates in the consolidated financial statements are accounted for using the equity method.

Investments in other debt and equity securities

Equity securities which are not marketable are stated at cost less any accumulated impairment losses.

Disposal of investments

On disposal of an investment, the difference between net disposal proceeds and the carrying amount together with the associated cumulative gain or loss that was reported in equity is recognized in profit or loss.

If the Group 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 amount of the total holding of the investment.

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For the year ended 31 December 2018

(i) *Investment properties*

Investment properties are properties which are held to earn rental income, for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the investment properties. The cost of self-constructed investment properties include the cost of materials and direct labor, and other costs directly attributable to bringing the investment properties to a working condition for its intended use and capitalized borrowing costs of a qualifying assets.

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

Land improvements	20 years
Buildings and structures	5, 20 years

Reclassification to property, plant and equipment

When the use of an investment property changes such that it is reclassified as property, plant and equipment, its carrying amount at the date of reclassification becomes its cost for subsequent accounting.

(j) *Finance lease*

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

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(k) *Property, plant and equipment*

Owned assets

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

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

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

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

Leased assets

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

Reclassification to investment properties

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

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Subsequent costs

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

Depreciation

Depreciation is calculated based on the depreciable amount, 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:

Land improvements	5 - 33	years
Buildings and structures	5 - 40	years
Machinery and equipment	3 - 25	years
Furniture, fixtures and office equipment	3 - 20	years
Transportation and equipment	3 - 10	years

For three particular subsidiaries, Phoenix Pulp & Paper Public Company Limited, The Siam Forestry Co., Ltd. and Thai Cane Paper Public Company Limited, depreciation of property, plant and equipment has been computed by the following methods over the periods as follows:

- Phoenix Pulp & Paper Public Company Limited

			Depreciation method
Land improvements	5 - 30	years	Straight-line
Buildings and structures			
- Acquired prior to 1 January 2002	30	years	Sinking Fund
- Acquired from 1 January 2002	20, 25, 30, 40	years	Straight-line
Machinery and equipment	15	years	Sinking Fund
Certain machinery and equipment	5 - 25, 30, 40	years	Straight-line

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For the year ended 31 December 2018

			Depreciation method
Furniture, fixtures and office equipment	3, 5	years	Straight-line
Transportation and equipment	5	years	Straight-line
Bearer plant	5	years	Straight-line

- The Siam Forestry Co., Ltd.

	Depreciation method
Bearer plant	Actual production in each month

- Thai Cane Paper Public Company Limited

			Depreciation method
Land improvements	5, 10, 20	years	Straight-line
Buildings and structures	5 – 20, 40	years	Straight-line
Production machinery			
- Kanchanaburi Mill	Estimated production capacity of 1.92 million tons		
- Prachinburi Mill	Estimated production capacity of 5.25 million tons		
Machinery and equipment	5 - 25	years	Straight-line
Furniture and fixtures	5 - 15	years	Straight-line
Transportation and equipment	5, 10	years	Straight-line

The effect of using the above different depreciation methods on the consolidated financial statements is insignificant.

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

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

Depreciation methods, useful lives and residual values are reviewed at each reporting period and adjusted if appropriate.

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For the year ended 31 December 2018

(l) Goodwill and other intangible assets

Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. The measurement of goodwill at initial recognition is described in note 3 (a). Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any assets.

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalized includes the cost of materials, direct labor, other costs that are directly attributable to preparing the asset for its intended use, and capitalized borrowing costs of a qualifying asset. Other development expenditure is recognized in profit or loss as incurred.

Capitalized development expenditure is measured at cost less accumulated amortization and accumulated impairment losses.

Other intangible assets

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

Subsequent expenditure

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

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Amortization

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

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

The estimated useful lives are as follows:

Software licenses and others	3 - 10 years
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No amortization is provided on assets under development.

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

(m) Impairment

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

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

Calculation of recoverable amount

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

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and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

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

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

(n) Trade and other payables

Trade and other payables are stated at cost.

(o) Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount.

The calculation of defined benefit obligations is performed by a qualified actuary using the projected unit credit method which is based on actuarial valuation method.

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Remeasurements of the net defined benefit liability, actuarial gain or loss are recognized in other comprehensive income. The Group determines the interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognized in profit or loss in the period in which they arise.

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(p) Provisions

A provision is recognized if, as a result of a past event, the Group 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. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance costs.

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SCG Packaging Public Company Limited and its Subsidiaries

For the year ended 31 December 2018

(q) *Revenue*

Revenue excludes value added taxes and is arrived at after deduction of trade discounts and volume rebates allowed by the entity.

Sale of goods and rendering of services

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 the probable return of goods or there are significant uncertainties regarding recovery of the consideration due, associated costs or the probable return of goods. Revenue from rendering of services is recognized as services are provided on the basis of stage of completion of the transaction.

Interest and dividend income

Interest income is recognized in profit or loss using the effective interest method. Dividend income is recognized in profit or loss on the date the Group's right to receive payments is established.

Royalty fee income

Royalty fee income is recognized on an accrual basis in accordance with the terms of agreement.

(r) *Expenses*

Operating leases

Payments made under operating leases are recognized in profit or loss on a straight line basis over the term of the lease. Lease incentives received are recognized in profit or loss as an integral part of the total lease expense, over the term of lease.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

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Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognized at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognized using the Group's incremental borrowing rate.

Finance costs

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and contingent consideration, and dividends on preference shares classified as liabilities.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

Early retirement expense

The Group offered certain qualifiable employees the option to take early retirement from the Group. Eligible employees who accept the offer are paid a lump sum amount which is calculated based on a formula using their final month's pay, number of years of service or the number of remaining months before normal retirement as variables. The Group records expenses on early retirement upon mutual acceptance.

(s) Income tax

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

Notes to the financial statements

SCG Packaging Public Company Limited and its Subsidiaries

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Current tax

Current tax is the expected tax payable or receivable on the taxable income 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 previous years.

Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of goodwill; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, using tax rates enacted or substantively enacted at the end of the reporting period.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

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

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A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(t) *Derivative financial instruments*

Financial assets and financial liabilities carried on the statement of financial position include cash and cash equivalents, trade and other current receivables, other non-current receivables, loans, investments, trade and other current payables and borrowings.

The Group operates internationally and is exposed to risks from changes in foreign exchange rates. The Group uses derivative financial instruments to mitigate those risks. All gains and losses on hedge transactions are recognized in profit or loss in the same period as the exchange differences on the items covered by the hedge.

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4 Acquisitions of business and changes in ownership interests of subsidiaries

Year 2018

(1) Acquisitions

On 19 January 2018, a subsidiary company in Packaging business acquired 68% of shares in Interpress Printers Sendirian Berhad (“IPSB”), which is a sector-leading food-grade paper packaging company, highly accredited and vetted by the global leading fast food restaurant chain, located in Malaysia, for a total consideration of Ringgit 63 million or equivalent to approximately Baht 511 million.

Obtaining control in IPSB emphasizes the Group’s commitment in becoming a total packaging solutions provider in ASEAN countries and will further enhance the overall portfolio while exhibiting its potential to serve the burgeoning region’s fast food consumption, evolving lifestyle and preferences of consumers.

According to the above acquisitions, the Group has engaged an independent appraiser to determine the fair values of net assets and liabilities acquired. As at 31 December 2018, the determination of the fair values has been completed, and the carrying amount of the assets acquired and liabilities assumed were recorded accordingly.

The Group has continuously determined its review of fair values of the business acquired within one year from the acquisition date, taking into accounts additional information, facts as well as circumstances that existed at the acquisition date.

Notes to the financial statements

SCG Packaging Public Company Limited and its Subsidiaries

For the year ended 31 December 2018

Assets acquired and liabilities assumed at the acquisition date were as follows:

	Fair Value IPSB (in million Baht)
Cash and cash equivalents	2
Trade and other current receivables	161
Inventories	57
Property, plant and equipment	347
Interest-bearing debts	(244)
Trade and other current payables	(28)
Other non-current liabilities	(13)
Net identifiable assets and liabilities	282
<i>Less non-controlling interests</i>	<i>(89)</i>
Recognized value of net assets acquired	193
Goodwill	318
Total consideration transferred	511
Cash acquired	(2)
Net cash outflows	509
<i>Less accrued investments</i>	<i>(88)</i>
Net cash outflows in 2018	421

The Group has agreed to pay total consideration payables of Baht 88 million to the former shareholder when certain conditions are achieved within May 2021.

The assets, liabilities and operating results since acquisition date of those subsidiaries have been included in the Group's consolidated financial statements for the year ended 31 December 2018. The subsidiaries contributed revenue from sales of Baht 502 million and loss for the period of Baht 4 million to the Group's operating results. If the acquisition had occurred on 1 January 2018, management estimates that consolidated revenue from sales would have been Baht 87,304 million and consolidated profit for the period would have been Baht 6,069 million.

The Group incurred acquisition costs totaling Baht 9 million which has been included in administrative expenses in the consolidated income statement.

Notes to the financial statements

SCG Packaging Public Company Limited and its Subsidiaries

For the year ended 31 December 2018

(2) Change in ownership interests in a subsidiaries

During the year 2018, the Group had purchased additional shares of Dyna Packs Co., Ltd. and Orient Containers Co., Ltd. increased from 75% to 100%, PT Primacorr Mandiri increased from 90% to 97%, PT Indoris Printingdo increased from 90% to 99.95% and Thai Cane Paper Public Company Limited increased from 94.54% to 98.20%.

The following summarizes the effect of the change in the Group's ownership interests:

	<i>(in million Baht)</i>
Carrying amount of non-controlling interests acquired	401
Less consideration paid to non-controlling interests	(639)
Decrease in equity attributable to owners of the Group	
from additional investments in subsidiaries	(238)

Year 2017

(1) Acquisitions

During the year 2017, the Group had acquired the significant business as follows:

(a) PT Indocorr Packaging Cikarang, Indonesia

On 21 April 2017, the Group acquired 80% of ordinary shares of PT Indocorr Packaging Cikarang ("Indocorr"), which is a producer of high quality corrugated containers in Indonesia, for a total consideration of Rupiah 79.2 billion or equivalent to approximately Baht 206 million.

Obtaining control in Indocorr results in the Group increasing combined production capacity of corrugated containers to 1.045 million tons per year across ASEAN with Indocorr's production capacity of 32,000 tons per year. This acquisition is to serve rapidly growing packaging demand in Indonesian market.

The Group recognized a gain from bargain purchase of Baht 65 million which is included in other income in consolidated income statement. This bargain purchase was attributable to the fair value adjustment on land.

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(b) Precision Print Co., Ltd., Thailand

On 1 September 2017, the Group acquired 75% of ordinary shares of Precision Print Co., Ltd. (“Precision Print”), which is a producer in Offset Printing of folding cartons, hangtag and stickers which are used in various industries in Thailand for a total consideration of Baht 165 million.

Obtaining control in Precision Print results in the Group expanding its display packaging production to serve premium packaging market with Precision Print’s production capacity of 4,650 tons per year. Furthermore, this acquisition is potential for strengthening the position of a total packaging solutions.

(c) Conimex Co., Ltd., Thailand

On 21 November 2017, the Group acquired 75% of ordinary shares of Conimex Co., Ltd. (“Conimex”), which is a producer of rigid plastic packaging products including plastic bottle made from HDPE, plastic tube, cap and closure which are used in industries ranging from cosmetic, personal care, consumer products and industrial liquid industries both domestic and international manufacturers, for a total consideration of Baht 298 million.

Obtaining control in Conimex will enhance the Group business’s overall portfolio in term of incremental product category while strengthening its footstep in premium packaging segment such as cosmetic packaging.

According to the above acquisitions, the Group has engaged an independent appraiser to determine the fair values of net assets and liabilities acquired. As at 31 December 2017, the determination of the fair values of net assets and liabilities has been completed, and the carrying amount of the assets acquired and liabilities assumed were adjusted accordingly.

The Group has continuously determined its review of fair values of the business acquired within one year from the acquisition date, taking into accounts additional information, facts as well as circumstances that existed at acquisition date. Consequently, the adjustments on accounting transactions of such acquisition will be made.

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Assets acquired and liabilities assumed at the acquisition date were as follows:

	Fair Value			
	Precision			
	Indocorr	Print	Conimex	Total
	(in million Baht)			
Cash and cash equivalents	2	11	7	20
Trade receivables	114	54	207	375
Inventories	54	12	128	194
Other current assets	3	17	7	27
Property, plant and equipment	396	296	638	1,330
Intangible assets	-	1	2	3
Other non-current assets	11	28	21	60
Interest-bearing debts	(114)	(217)	(420)	(751)
Trade payables	(100)	(57)	(58)	(215)
Other current liabilities	(3)	(25)	(33)	(61)
Other non-current liabilities	(24)	(35)	(77)	(136)
Net identifiable assets and liabilities	339	85	422	846
<i>Less non-controlling interests</i>	(68)	(21)	(124)	(213)
Recognized value of net assets acquired	271	64	298	633
Goodwill	-	101	-	101
Gain on a bargain purchase	(65)	-	-	(65)
Total consideration transferred	206	165	298	669
Cash acquired				(20)
Net cash outflows				649
<i>Less accrued investments</i>				(115)
Net cash outflows in 2017				534

The Group has agreed to pay total consideration payables of Baht 115 million to the former shareholders when certain conditions are achieved within 2019.

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The assets, liabilities and operating results since acquisition date of those subsidiaries have been included in the Group's consolidated financial statements for the year ended 31 December 2017. The subsidiaries contributed total revenue from sales of Baht 489 million and gain for the year of Baht 5 million to the Group's operating results. If the acquisition had occurred on 1 January 2017, management estimates that consolidated revenue from sales would have been Baht 82,621 million and consolidated profit for the year would have been Baht 4,436 million.

The Group incurred acquisition costs totaling Baht 6 million which had been included in administrative expenses in consolidated income statement.

(2) Change in ownership interests in a subsidiaries

In February 2017, the Group had purchased additional ordinary shares of Phoenix Pulp & Paper Public Company Limited ("PPPC"), a subsidiary, which consisted of 1,928,388 ordinary shares and 171,612 preferred shares, totaling Baht 172 million. As a result, the Group's ownership in PPPC was changed from 68.73% to 69.58%.

In September 2017, the Group had purchased additional ordinary shares of Tin Thanh Packing Joint Stock Company ("Batico"), a subsidiary, 1,019,400 ordinary shares, totaling Vietnamese Dong 81,552 million or equivalent to Baht 119 million. As a result, the Group's ownership in Batico was changed from 42.00% to 47.24%.

The following summarizes the effect of the change in the Group's ownership interests:

	<i>(in million Baht)</i>
Carrying amount of non-controlling interests acquired	218
Less Consideration paid to non-controlling interests	(291)
Decrease in equity attributable to owners of the Group	
from additional investments in subsidiaries	(73)

5 Related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa or where the Group and the party are subject to common control or common significant influence.

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SCG Packaging Public Company Limited and its Subsidiaries

For the year ended 31 December 2018

Relationships with related parties were as follows:

Name of entities	Country of incorporation nationality	Nature of relationships
The Siam Cement Public Company Limited	Thailand	Ultimate parent company
SCG International Corporation Co., Ltd. (Formerly SCG Trading Co., Ltd.)	Thailand	A subsidiary of The Siam Cement Public Company Limited
PT SCG Trading Indonesia	Indonesia	A subsidiary of The Siam Cement Public Company Limited
The Siam Fibre-Cement Co., Ltd.	Thailand	A subsidiary of The Siam Cement Public Company Limited
SCG Trading Vietnam Co., Ltd.	Vietnam	A subsidiary of The Siam Cement Public Company Limited
SCG Logistics Management Co., Ltd.	Thailand	A subsidiary of The Siam Cement Public Company Limited
Siam Sanitary Ware Industry Co., Ltd.	Thailand	A subsidiary of The Siam Cement Public Company Limited
Prime Group Joint Stock Company	Vietnam	A subsidiary of The Siam Cement Public Company Limited
Nawa Plastics Industries Co., Ltd.	Thailand	A subsidiary of The Siam Cement Public Company Limited
Sosuco Ceramic Co., Ltd.	Thailand	A subsidiary of The Siam Cement Public Company Limited
Siam Sanitary Ware Industry (Nongkhai) Co., Ltd.	Thailand	A subsidiary of The Siam Cement Public Company Limited
PT Keramika Indonesia Assosiasi, Tbk.	Indonesia	A subsidiary of The Siam Cement Public Company Limited
SCG Cement-Building Materials Co., Ltd.	Thailand	A subsidiary of The Siam Cement Public Company Limited
SCG Cement Co., Ltd.	Thailand	A subsidiary of The Siam Cement Public Company Limited
The Concrete Products and Aggregate Co., Ltd.	Thailand	A subsidiary of The Siam Cement Public Company Limited
SCG Chemicals Co., Ltd.	Thailand	A subsidiary of The Siam Cement Public Company Limited
The Nawaplastic Industries (Saraburi) Co., Ltd.	Thailand	A subsidiary of The Siam Cement Public Company Limited
SCG Marketing Philippines, Inc.	Philippines	A subsidiary of The Siam Cement Public Company Limited
PT SCG Indonesia	Indonesia	A subsidiary of The Siam Cement Public Company Limited
Mariwasa-Siam Ceramic, Inc.	Philippines	A subsidiary of The Siam Cement Public Company Limited
SCG Trading USA Inc.	USA	A subsidiary of The Siam Cement Public Company Limited
SCG Trading Philippines Inc.	Philippines	A subsidiary of The Siam Cement Public Company Limited
SCI Eco Services Co., Ltd.	Thailand	A subsidiary of The Siam Cement Public Company Limited
SCG Performance Chemicals Co., Ltd.	Thailand	A subsidiary of The Siam Cement Public Company Limited
Rayong Olefins Co., Ltd.	Thailand	A subsidiary of The Siam Cement Public Company Limited
SCG Vietnam Co., Ltd.	Vietnam	A subsidiary of The Siam Cement Public Company Limited
The Siam Refractory Industry Co., Ltd.	Thailand	A subsidiary of The Siam Cement Public Company Limited
The Siam Cement (Ta Luang) Co., Ltd.	Thailand	A subsidiary of The Siam Cement Public Company Limited

Notes to the financial statements

SCG Packaging Public Company Limited and its Subsidiaries

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Name of entities	Country of incorporation nationality	Nature of relationships
The Siam Cement (Kaeng Khoi) Co., Ltd.	Thailand	A subsidiary of The Siam Cement Public Company Limited
Siam Nippon Industrial Paper Co., Ltd.	Thailand	An associate of SCG Packaging Public Company Limited
Siam Toppan Packaging Co., Ltd.	Thailand	An associate of SCG Packaging Public Company Limited
Saha Green Forest Co., Ltd.	Thailand	An associate of SCG Packaging Public Company Limited
P&S Holding Corporation	Philippines	An associate of SCG Packaging Public Company Limited
The Siam Gypsum Industry (Saraburi) Company Limited	Thailand	An associate of The Siam Cement Public Company Limited
The Siam Gypsum Industry (Songkhla) Company Limited	Thailand	An associate of The Siam Cement Public Company Limited
Thai MFC Co., Ltd.	Thailand	An associate of The Siam Cement Public Company Limited
Siam Polyethylene Co., Ltd.	Thailand	An associate of The Siam Cement Public Company Limited
Siam Synthetic Latex Co., Ltd.	Thailand	An associate of The Siam Cement Public Company Limited
IT One Co., Ltd.	Thailand	An associate of The Siam Cement Public Company Limited
Green Siam Resources Corporation	Philippines	An associate of The Siam Cement Public Company Limited
Nippon Paper Industries Co., Ltd.	Japan	Common directors with Phoenix Pulp & Paper Public Company Limited
Asia Cement Public Company Limited	Thailand	Common directors with The Siam Cement Public Company Limited

On 31 May 2018, SCG Packaging Public Company Limited (a subsidiary of The Siam Cement Public Company Limited) sold 19,567,240 ordinary shares of Thai British Security Printing Public Company Limited (17.79% of total issued and paid-up shares capital of the Company) to Miss Suthida Mongkolsuthi.

Notes to the financial statements

SCG Packaging Public Company Limited and its Subsidiaries

For the year ended 31 December 2018

The pricing policies for particular types of transactions are explained further below:

Transactions	Pricing policies
Revenue from sales	Market price
Purchases	Market price
Intellectual properties fees	Percentage of revenue from sales
Expenses	Market price and contract rate
Dividends income	Upon declaration
Interest expense	Contract rate

Significant transactions for the years ended 31 December with related parties were as follows:

	2018	2017
	<i>(in thousand Baht)</i>	
<i>Parent</i>		
Revenue from sales	15,505	15,927
Intellectual properties fees	299,044	349,808
Interest expense	777,839	533,213
Expenses	922,360	601,781
<i>Associates</i>		
Revenue from sales	979,015	948,814
Dividends income	15,872	18,788
Purchases	356,275	391,771
<i>Others</i>		
Revenue from sales	3,499,653	3,160,852
Purchases	7,089,166	5,586,295
Expenses	2,800,568	2,844,008
Dividend income	10,762	14,125

Notes to the financial statements

SCG Packaging Public Company Limited and its Subsidiaries

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Balances as at 31 December with related parties were as follows:

Trade receivables

	2018	2017
	<i>(in thousand Baht)</i>	
<i>Parent</i>		
The Siam Cement Public Company Limited	1,849	3,502
<i>Associates</i>		
Siam Nippon Industrial Paper Co., Ltd.	40,323	51,725
Siam Toppan Packaging Co., Ltd.	39,313	41,259
Saha Green Forest Co., Ltd.	1,801	1,893
<i>Others</i>		
The Siam Gypsum Industry (Saraburi) Co., Ltd.	97,469	71,943
SCG International Corporation Co., Ltd.	85,077	88,916
PT SCG Trading Indonesia	49,795	54,099
The Siam Fibre-Cement Co., Ltd.	24,389	3,669
Asia Cement Public Company Limited	23,186	5,292
SCG Trading Vietnam Co., Ltd.	22,975	25,932
The Siam Gypsum Industry (Songkhla) Co., Ltd.	15,753	9,372
Thai MFC Co., Ltd.	13,269	9,037
SCG Logistics Management Co., Ltd.	10,205	6,941
Siam Sanitary Ware Industry Co., Ltd.	5,876	7,896
Prime Group Joint Stock Company	5,268	6,309
Nawa Plastics Industries Co., Ltd.	5,192	4,588
Sosuco Ceramic Co., Ltd.	5,104	5,613
Siam Polyethylene Co., Ltd.	4,173	5,510
Siam Sanitary Ware Industry (Nongkhai) Co., Ltd.	2,371	4,111
PT Keramika Indonesia Assosiasi, Tbk.	1,868	5,418
Others	29,397	38,521
Total	484,653	451,546

Notes to the financial statements

SCG Packaging Public Company Limited and its Subsidiaries

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Other current receivables from related parties

	2018	2017
	<i>(in thousand Baht)</i>	
<i>Parent</i>		
The Siam Cement Public Company Limited	2,782	701
<i>Associates</i>		
Siam Nippon Industrial Paper Co., Ltd.	28,672	64,116
P&S Holdings Corporation	1,608	3,812
Siam Toppan Packaging Co., Ltd.	128	-
Saha Green Forest Co., Ltd.	4	2
<i>Others</i>		
Nippon Paper Industries Co., Ltd.	4,230	4,571
SCG Cement-Building Material Co., Ltd.	4,047	655
SCG Cement Co., Ltd.	2,433	-
The Concrete Products and Aggregate Co., Ltd.	1,565	-
PT SCG Trading Indonesia	1,373	-
SCG Chemicals Co., Ltd.	1,339	18
SCG International Corporation Co., Ltd.	1,205	488
The Nawaplastic Industries (Saraburi) Co., Ltd.	1,087	51
Others	9,314	2,154
Total	59,787	76,568

Short-term loans to related parties

	2018	2017
	<i>(in thousand Baht)</i>	
<i>Others</i>		
SCG Marketing Philippines, Inc.	123,650	-
PT SCG Indonesia	3,502	811
Total	127,152	811

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Long-term loan to related parties

	2018	2017
	(in thousand Baht)	
<i>Others</i>		
Mariwasa-Siam Ceramic, Inc.	92,738	98,333

Long-term receivable and deposit shown under other non-current receivables

	2018	2017
	(in thousand Baht)	
<i>Associate</i>		
P&S Holdings Corporation	115,860	126,380

Trade payables

	2018	2017
	(in thousand Baht)	
<i>Associates</i>		
Siam Nippon Industrial Paper Co., Ltd.	17,111	25,119
Siam Toppan Packaging Co., Ltd.	6,587	8,274
<i>Others</i>		
SCG International Corporation Co., Ltd.	596,313	633,708
SCG Logistics Management Co., Ltd.	230,901	578,913
SCG Trading Vietnam Co., Ltd.	143,002	79,855
SCG Trading USA Inc.	74,178	8,747
SCG Trading Philippines Inc.	53,049	46,270
SCI Eco Services Co., Ltd.	32,334	34,766
Siam Synthetic Latex Co., Ltd.	25,222	22,680
SCG Performance Chemicals Co., Ltd.	24,735	31,180
Rayong Olefins Co., Ltd.	22,467	16,253
IT One Co., Ltd.	8,802	7,496
Green Siam Resources Corporation	3,584	1,933
SCG Vietnam Co., Ltd.	3,561	3,586
The Siam Refractory Industry Co., Ltd.	876	6,444
Others	19,042	34,956
Total	1,261,764	1,540,180

Notes to the financial statements

SCG Packaging Public Company Limited and its Subsidiaries

For the year ended 31 December 2018

Other current payables to related parties

	2018	2017
	<i>(in thousand Baht)</i>	
<i>Parent</i>		
The Siam Cement Public Company Limited	205,254	168,718
<i>Associates</i>		
Siam Nippon Industrial Paper Co., Ltd.	3,299	165
Siam Toppan Packaging Co., Ltd.	1,805	3,610
P&S Holdings Corporation	1,058	1,122
<i>Others</i>		
Nippon Paper Industries Co., Ltd.	40,499	44,355
PT SCG Indonesia	556	293
The Siam Cement (Ta Luang) Co., Ltd.	493	47
IT One Co., Ltd.	469	230
The Siam Cement (Kaeng Khoi) Co., Ltd.	433	28
The Concrete Products and Aggregate Co., Ltd.	211	1,326
Others	3,047	3,798
Total	257,124	223,692

Short-term borrowings from related parties

	2018	2017
	<i>(in thousand Baht)</i>	
<i>Parent</i>		
The Siam Cement Public Company Limited (Interest rate 3.75% per annum in 2018 and 3.75% and 4.00% per annum in 2017)	23,309,752	15,444,571
<i>Others</i>		
PT SCG Indonesia	105,948	51,992
Total	23,415,700	15,496,563

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Movements during the years on short-term borrowings from related parties were as follows:

	2018	2017
	<i>(in thousand Baht)</i>	
At 1 January	15,496,563	12,519,912
Increase	27,174,575	168,819,718
Decrease	(19,255,438)	(165,843,067)
At 31 December	23,415,700	15,496,563

Key management compensation

	2018	2017
	<i>(in thousand Baht)</i>	
<i>For the year ended 31 December</i>		
Short-term benefits	129,712	122,840
Post-employment benefits	2,032	2,067
Total	131,744	124,907

Management benefit expenses comprise of the remuneration paid to the management as staff expenses in terms of salary, bonus, others and contribution to defined contribution plans.

Notes to the financial statements

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6 Trade and other current receivables

	Note	2018	2017
		<i>(in thousand Baht)</i>	
<i>Trade receivables</i>			
Related parties	5	484,653	451,546
Other companies		12,203,668	11,988,723
Less allowance for doubtful accounts		(152,948)	(152,633)
Net		12,050,720	11,836,090
		12,535,373	12,287,636
<i>Other current receivables</i>			
Related parties	5	59,787	76,568
Other companies		1,240,597	1,507,762
		1,300,384	1,584,330
Total		13,835,757	13,871,966
<i>For the year ended 31 December</i>			
Doubtful debts expenses		6,069	1,578
Bad debts recovery		(3,269)	(2,721)

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	2018	2017
	<i>(in thousand Baht)</i>	
<i>Trade receivables</i>		
Related parties		
Within credit terms	460,006	443,174
Overdue:		
Less than 3 months	24,647	8,255
3 - 6 months	-	117
Total	484,653	451,546
 Other companies		
Within credit terms	11,186,863	11,117,607
Overdue:		
Less than 3 months	823,613	682,893
3 - 6 months	38,279	33,859
Over 6 - 12 months	6,229	4,338
Over 12 months	148,684	150,026
	12,203,668	11,988,723
<i>Less allowance for doubtful accounts</i>	(152,948)	(152,633)
Net	12,050,720	11,836,090
Total	12,535,373	12,287,636

The normal credit term granted by the Group is 30 - 90 days.

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7 Inventories

	2018	2017
	<i>(in thousand Baht)</i>	
Finished goods	3,975,384	3,925,035
Goods in process	749,897	914,591
Raw materials	3,834,292	4,099,627
Spare parts, stores, supplies and others	2,940,161	2,926,252
Goods in transit	1,759,412	1,751,292
Total	13,259,146	13,616,797
<i>Less allowance for decline in value</i>	<i>(364,890)</i>	<i>(199,760)</i>
Net	12,894,256	13,417,037
Cost of inventories recognized as an expense in cost of sales:		
Cost of sales	69,074,282	67,290,666
<i>Less write-down to net realizable value</i>	<i>(48,532)</i>	<i>(131,663)</i>
<i>Add reversal of write-down</i>	<i>64,795</i>	<i>109,355</i>
<i>Less service cost and others</i>	<i>(1,032)</i>	<i>(3,492)</i>
Net total	69,089,513	67,264,866
Changes in inventories of finished goods and goods in process	114,345	(818,098)
Raw materials and supplies used	30,161,119	30,861,732

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8 Investments in associates

Movements for the years ended 31 December in investments in associates accounted for using the equity method were as follows:

	2018	2017
	<i>(in thousand Baht)</i>	
At 1 January	760,734	880,381
Share of net (loss) profit of investments - equity method	(14,603)	4,133
Share of other comprehensive income of investment - equity method	(519)	(234)
Dividend income	(15,872)	(18,788)
Disposals	-	(104,758)
At 31 December	729,740	760,734

In December 2017, the Group sold its entire stake in Rengo Packaging Malaysia Sdn. Bhd. to Rengo Company Limited with the proceeds from sales of Baht 106 million and recognized loss of Baht 29 million.

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SCG Packaging Public Company Limited and its Subsidiaries

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Investments in associates as at 31 December and dividends from these investments for the years then ended at the same date, were as follows:

	Total direct/ indirect holding		Paid-up capital		Cost method		Equity method		Dividend income	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	(in thousand Baht)									
Associates										
Siam Toppan Packaging Co., Ltd.	49	49	500,000	500,000	245,000	245,000	426,446	420,417	11,122	14,038
Siam Nippon Industrial Paper Co., Ltd.	31.31	31.31	1,100,000	1,100,000	495,000	495,000	239,402	281,262	-	-
Saha Green Forest Co., Ltd.	17.40	17.40	190,000	190,000	47,500	47,500	63,892	59,055	4,750	4,750
P&S Holding Corporation	40	40	262,588	262,588	105,121	105,121	-	-	-	-
Total			2,052,588	2,052,588	892,621	892,621	729,740	760,734	15,872	18,788

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SCG Packaging Public Company Limited and its Subsidiaries

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Immaterial associates

The following is summarized financial information for the Group's interest in immaterial associates based on the amounts reported in the Group's consolidated financial statements:

	2018	2017
	<i>(in thousand Baht)</i>	
Carrying amount of interests in immaterial associates	729,740	760,734
Group's share of:		
- (Loss) profit for the year from continuing operations	(14,603)	4,133
- Other comprehensive income for the year	(519)	(234)
- Total comprehensive income for the year	(15,122)	3,899

9 Non-controlling interests

The following table summarizes the information relating to each of the Group's subsidiaries that has a material non-controlling interest, before any intra-group eliminations:

	Phoenix Pulp & Paper Public Company Limited	Thai Containers Group Co., Ltd.
	<i>(in thousand Baht)</i>	
<i>Non-controlling interests at 31 December 2018</i>		
Non-controlling interest percentage	30.42%	30.00%
Current assets	7,324,709	4,565,757
Non-current assets	19,600,435	10,754,705
Current liabilities	(4,017,396)	(5,603,232)
Non-current liabilities	(1,059,278)	(405,395)
Net assets	21,848,470	9,311,835
Carrying amount of non-controlling interest	6,646,305	2,793,551

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	Phoenix Pulp & Paper Public Company Limited	Thai Containers Group Co., Ltd.
	(in thousand Baht)	
For the year ended 31 December 2018		
Revenue	8,031,725	16,374,743
Profit for the year	614,454	918,575
Other comprehensive income for the year	(47,858)	(58,634)
Total comprehensive income for the year	566,596	859,941
For the year ended 31 December 2018		
Profit for the year:		
- Attributable to owners of the parent	427,537	643,003
- Attributable to non-controlling interest	186,917	275,572
Other comprehensive income for the year:		
- Attributable to owners of the parent	(33,300)	(41,044)
- Attributable to non-controlling interest	(14,558)	(17,590)
	566,596	859,941
Cash flows from operating activities	1,071,094	898,191
Cash flows from investing activities	191,364	(1,020,446)
Cash flows from financing activities	(1,191,954)	126,355
Net increase in cash and cash equivalents	70,504	4,100
Dividends to non-controlling interest	55,392	124,560

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For the year ended 31 December 2018

	Phoenix Pulp & Paper Public Company Limited	Thai Containers Group Co., Ltd.
	(in thousand Baht)	
<i>Non-controlling interests at 31 December 2017</i>		
Non-controlling interest percentage	30.42%	30.00%
Current assets	7,745,832	3,854,995
Non-current assets	19,806,370	10,245,608
Current liabilities	(5,032,449)	(4,923,373)
Non-current liabilities	(1,055,676)	(310,136)
Net assets	21,464,077	8,867,094
Carrying amount of non-controlling interest	6,529,372	2,660,128
<i>For the year ended 31 December 2017</i>		
Revenue	7,988,443	15,640,046
Profit for the year	394,095	848,695
Other comprehensive income for the year	(5,222)	613
Total comprehensive income for the year	388,873	849,308
<i>For the year ended 31 December 2017</i>		
Profit for the year:		
- Attributable to owners of the parent	273,854	594,087
- Attributable to non-controlling interest	120,241	254,608
Other comprehensive income for the year:		
- Attributable to owners of the parent	(3,633)	429
- Attributable to non-controlling interest	(1,589)	184
	388,873	849,308
Cash flows from operating activities	950,202	1,068,509
Cash flows from investing activities	(140,447)	(978,395)
Cash flows from financing activities	(890,913)	(81,431)
Net increase (decrease) in cash and cash equivalents	(81,158)	8,683
Dividends to non-controlling interest	29,920	45,672

Notes to the financial statements

SCG Packaging Public Company Limited and its Subsidiaries

For the year ended 31 December 2018

10 Investment properties

	Note	Land and land improvements (in thousand Baht)
Cost		
At 1 January 2017		97,173
Acquisitions through business combinations	4	29,812
Transfer from property, plant and equipment	11	6,843
Transfer to other current assets		(4,158)
At 31 December 2017		129,670
Acquisitions through business combinations		64,411
Transfer from property, plant and equipment	11	32,352
Transfer to other current assets		(12,753)
At 31 December 2018		213,680
Accumulated depreciation		
At 1 January 2017		11,681
Acquisition through business combinations	4	8,780
Depreciation charge for the year		2,928
At 31 December 2017		23,389
Depreciation charge for the year		4,716
At 31 December 2018		28,105
Carrying amount		
As at 31 December 2017		106,281
As at 31 December 2018		185,575

Investment properties were revalued as at 31 December 2018 at open market values on an existing use basis. The fair value was Baht 480 million (2017: Baht 433 million).

The fair value measurement for investment properties have been categorized as a Level 3 fair value based on the inputs to the valuation technique used, which are discounted cash flows and market approach.

Notes to the financial statements

SCG Packaging Public Company Limited and its Subsidiaries

For the year ended 31 December 2018

11 Property, plant and equipment

Cost

	Land and land improvements	Buildings and structures	Machinery and equipment	Furniture, fixtures and office equipment <i>(in thousand Baht)</i>	Transportation and equipment	Construction in progress	Bearer plant	Total
At 1 January 2017	3,706,559	15,595,916	104,301,787	1,750,584	388,114	10,005,391	8,864	135,757,215
Acquisitions through business combinations	389,944	647,001	1,118,364	42,345	40,663	-	-	2,238,317
Additions	40,230	186,779	1,493,508	56,941	40,715	4,447,483	74	6,265,730
Disposals/written off	(53,827)	(160,207)	(2,894,965)	(106,934)	(11,150)	(15,159)	-	(3,242,242)
Transfer to investment properties	(6,843)	-	-	-	-	-	-	(6,843)
Transfers in (out)	94,812	1,077,734	6,518,743	39,108	4,855	(7,753,195)	2,275	(15,668)
Currency translation differences	(41,043)	(219,403)	(1,349,855)	(11,722)	(17,267)	(477,793)	-	(2,117,083)
At 31 December 2017	4,129,832	17,127,820	109,187,582	1,770,322	445,930	6,206,727	11,213	138,879,426
Acquisitions through business combinations	-	16,311	501,573	12,588	2,508	-	-	532,980
Additions	164,279	246,060	1,969,391	65,749	417	4,234,194	7,665	6,687,755
Disposals/written off	(2,044)	(15,863)	(1,662,926)	(105,396)	(29,233)	(3,056)	-	(1,818,518)
Transfer to investment properties	(32,352)	-	-	-	-	-	-	(32,352)
Transfer to other current assets	-	(224,840)	(2,866)	(3,904)	-	-	-	(231,610)
Transfers in (out)	89,160	624,173	4,663,673	61,578	11,983	(5,481,951)	4,509	(26,875)
Currency translation differences	(35,315)	(58,468)	(360,440)	(6,351)	(1,211)	(546)	-	(462,331)
At 31 December 2018	4,313,560	17,715,193	114,295,987	1,794,586	430,394	4,955,368	23,387	143,528,475

Notes to the financial statements

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For the year ended 31 December 2018

	Land and land improvements	Buildings and structures	Machinery and equipment	Furniture, fixtures and office equipment (in thousand Baht)	Transportation and equipment	Construction in progress	Bearer plant	Total
Accumulated depreciation and accumulated impairment losses								
At 1 January 2017	1,032,145	8,552,783	68,552,598	1,342,105	249,212	8,069	3,130	79,740,042
Acquisition through business combinations	1,241	220,125	633,334	28,723	23,990	-	-	907,413
Depreciation charge for the year	87,328	481,705	4,369,057	129,688	47,193	-	2,997	5,117,968
Impairment losses	-	-	15,424	-	-	-	-	15,424
Disposals/written off	(33,751)	(147,925)	(2,747,569)	(103,604)	(8,259)	(8,069)	-	(3,049,177)
Currency translation differences	(5,360)	(104,000)	(866,487)	(8,720)	(10,519)	-	-	(995,086)
At 31 December 2017	1,081,603	9,002,688	69,956,357	1,388,192	301,617	-	6,127	81,736,584
Acquisition through business combinations	-	13,913	161,034	11,133	485	-	-	186,565
Depreciation charge for the year	102,891	527,834	4,487,521	141,438	41,355	-	3,394	5,304,433
Impairment losses	-	9,688	14,438	-	-	-	-	24,126
Disposals/written off	(193)	(13,988)	(1,504,690)	(103,272)	(28,838)	-	-	(1,650,981)
Transfer to other current assets	-	(145,764)	(2,718)	(3,569)	-	-	-	(152,051)
Currency translation differences	(2,980)	(32,789)	(251,185)	(11,080)	(814)	-	-	(298,848)
At 31 December 2018	1,181,321	9,361,582	72,860,757	1,422,842	313,805	-	9,521	85,149,828
Carrying amount								
At 31 December 2017	3,048,229	8,125,132	39,231,225*	382,130	144,313	6,206,727	5,086	57,142,842
At 31 December 2018	3,132,239	8,353,611	41,435,230*	371,744	116,589	4,955,368	13,866	58,378,647

Notes to the financial statements

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* These include machinery acquired under financial lease with carrying amount Baht 50 million at 31 December 2018 (2017: Baht 163 million).

The gross carrying amount of fully depreciated property, plant and equipment that is still in use as at 31 December 2018 amounted to Baht 50,016 million (2017: Baht 47,483 million).

In 2018, the Group capitalized borrowing costs relating to the acquisition of the property, plant and equipment were capitalized as part of the cost of construction in progress, amounting to Baht 25 million (2017: Baht 12 million), rates of interest capitalized at 1.90% - 5.65% per annum (2017: 1.90% - 3.96% per annum).

For the purpose of impairment testing of property, plant and equipment of the Group where indicators occurred, the recoverable amount was based on its value in use, determined by discounting the future cash flows which included estimates for five years and a terminal growth rate thereafter. The terminal growth rate was determined based on the long-term compound annual EBITDA growth rate estimated by management. Discount rate was determined by using weighted average cost of capital of the Group.

Notes to the financial statements

SCG Packaging Public Company Limited and its Subsidiaries

For the year ended 31 December 2018

12 Goodwill

	<i>Note</i>	2018	2017
		<i>(in thousand Baht)</i>	
At 1 January		1,994,878	1,979,378
Acquisitions through business combinations	4	318,504	101,624
Currency translation differences		(23,546)	(86,124)
At 31 December		2,289,836	1,994,878

For the purpose of impairment testing of goodwill of the Group where indicators occurred, the recoverable amount was based on its value in use, determined by discounting the future cash flows which included estimates for five years and a terminal growth rate thereafter. The terminal growth rate was determined based on the long-term compound annual EBITDA growth rate estimated by management. Discount rate was determined by using weighted average cost of capital of the Group.

13 Other intangible assets

	Software licenses
	<i>(in thousand Baht)</i>
Cost	
At 1 January 2017	884,230
Acquisition through business combinations	12,904
Additions	45,909
Disposals/written off	(19,423)
Transfers in	15,668
Currency translation differences	(2,895)
At 31 December 2017	936,393
Additions	77,220
Disposals/written off	(4,371)
Transfers in	26,875
Currency translation differences	(331)
At 31 December 2018	1,035,786

Notes to the financial statements

SCG Packaging Public Company Limited and its Subsidiaries

For the year ended 31 December 2018

Software licenses

(in thousand Baht)

Accumulated amortization

At 1 January 2017	599,910
Acquisition through business combinations	9,498
Amortization charge for the year	72,166
Disposals/written off	(19,355)
Currency translation differences	(2,236)
At 31 December 2017	659,983
Amortization charge for the year	72,544
Disposals/written off	(4,295)
Currency translation differences	(162)
At 31 December 2018	728,070

Carrying amount

At 31 December 2017	276,410
At 31 December 2018	307,716

14 Deferred tax assets (deferred tax liabilities)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, and are included in the consolidated statements of financial position as follows:

	2018	2017
	(in thousand Baht)	
Deferred tax assets	378,649	405,213
Deferred tax liabilities	(216,694)	(270,236)
Net	161,955	134,977

Notes to the financial statements

SCG Packaging Public Company Limited and its Subsidiaries

For the year ended 31 December 2018

Movements in total deferred tax assets and liabilities during the year were as follows:

		Credited (charged) to				
			other	Increase		
	At 1	profit	comprehensive	Through	Currency	At 31
	January	or loss	income	Business	translation	December
	2017		(Note 25)	combinations	differences	2017
<i>Deferred tax assets</i>						
Loss carry forward	34,752	31,215	-	17,898	(2)	83,863
Trade receivables	28,449	(412)	-	711	-	28,748
Inventories	23,115	30,231	-	1,107	-	54,453
Property, plant and equipment	46,715	(16,230)	-	8,913	(261)	39,137
Provisions for employee benefits	277,309	12,484	7,245	14,857	(2,770)	309,125
Others	1,500	(488)	-	-	(153)	859
Total	411,840	56,800	7,245	43,486	(3,186)	516,185
<i>Deferred tax liabilities</i>						
Property, plant and equipment	246,122	39,258	-	58,419	(4,482)	339,317
Others	37,692	4,199	-	-	-	41,891
Total	283,814	43,457	-	58,419	(4,482)	381,208
Net	128,026	13,343	7,245	(14,933)	1,296	134,977

Notes to the financial statements

SCG Packaging Public Company Limited and its Subsidiaries

For the year ended 31 December 2018

		Credited (charged) to				
			other	Increase		
	At 1	profit	comprehensive	Through	Currency	At 31
	January	or loss	income	Business	translation	December
	2018	(Note 25)		combinations	differences	2018
		(in thousand Baht)				
<i>Deferred tax assets</i>						
Loss carry forward	83,863	(56,067)	-	-	-	27,796
Trade receivables	28,748	(8,144)	-	-	-	20,604
Inventories	54,453	34,927	-	-	-	89,380
Property, plant and equipment	39,137	(12,310)	-	-	(134)	26,693
Provisions for employee benefits	309,125	18,824	65,805	-	(1,708)	392,046
Others	859	(5)	-	-	(2)	852
Total	516,185	(22,775)	65,805	-	(1,844)	557,371
<i>Deferred tax liabilities</i>						
Property, plant and equipment	339,317	35,285	-	13,435	(173)	387,864
Others	41,891	(34,339)	-	-	-	7,552
Total	381,208	946	-	13,435	(173)	395,416
Net	134,977	(23,721)	65,805	(13,435)	(1,671)	161,955

Notes to the financial statements

SCG Packaging Public Company Limited and its Subsidiaries

For the year ended 31 December 2018

The deductible temporary differences and unused tax losses that the Group have not been recognized as deferred tax assets (liabilities) are as the following items:

	2018	2017
	<i>(in thousand Baht)</i>	
Temporary differences		
- Trade receivables	105,001	80,827
- Inventories	5,522	5,856
- Provisions for employee benefits	96,368	74,575
- Property, plants and equipment	22,624	1,948
- Others	29,058	33,305
Unused tax losses	140,677	96,495
Total	399,250	293,006

The deductible temporary differences do not expire under current tax legislation and the tax losses which would be expired within 2023. The Group has not recognized these items in deferred tax assets.

As at 31 December 2018 and 2017, no deferred tax liability has been recognized in respect of temporary differences associated with investments in subsidiaries, where the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such difference will not reverse in the foreseeable future.

15 Bank overdrafts and short-term borrowings from financial institutions

	2018	2017
	<i>(in thousand Baht)</i>	
Bank overdrafts and others	58,515	101,393
Short-term borrowings from financial institutions	4,253,949	4,978,370
Total	4,312,464	5,079,763

Notes to the financial statements

SCG Packaging Public Company Limited and its Subsidiaries

For the year ended 31 December 2018

16 Trade and other current payables

	Note	2018	2017
		(in thousand Baht)	
Trade payables			
Related parties	5	1,261,764	1,540,180
Other parties		5,559,271	5,637,309
		6,821,035	7,177,489
Other current payables			
Related parties	5	257,124	223,692
Other parties		1,495,507	1,693,918
		1,752,631	1,917,610
Total		8,573,666	9,095,099

17 Long-term borrowings from financial institutions

	2018	2017
	(in thousand Baht)	
Unsecured		
Local borrowings	268,399	2,386,774
Foreign borrowings		
- Vietnamese Dong	143,099	1,312,505
- Malaysian Ringgit	327,627	-
Total	739,125	3,699,279

The period to maturity of long-term borrowings from financial institutions is as follows:

	2018	2017
	(in thousand Baht)	
Within one year	151,996	2,401,621
After one year but within five years	527,656	1,268,892
After five years	59,473	28,766
Total	739,125	3,699,279

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Local borrowings

In 2013, Siam Kraft Industry Co., Ltd., a subsidiary entered into a loan agreement with a commercial bank to borrow a total of Baht 7,800 million. This loan bears interest at 4.50% per annum and is repayable in semi-annual installments commencing from March 2015 through September 2018. This loan has no collateral.

In 2015, Prepack Thailand Co., Ltd., a subsidiary entered into a loan agreement with a commercial bank to borrow a total of Baht 220 million. This loan bears interest at MLR minus 2.35% per annum and is repayable in monthly installments commencing from August 2016 through August 2020. This loan has no collateral. In 2017, the Company entered into a loan agreement with a commercial bank to borrow a total of Baht 280 million. This loan bear interest in year 1 - 2 at 3.65% per annum and year 3 - 5 at MLR minus 2.75% per annum and is repayable in semi-annual installments commencing from August 2017 through February 2021. This loan has no collateral.

Foreign borrowings

In 2015 Vina Kraft Paper Co., Ltd., a subsidiary entered into the long-term loan agreements with 3 commercial banks in Vietnam totaling Vietnamese Dong 1,210 billion, equivalent to Baht 1,948 million. The interest rates are at cost of fund plus 0.50% - 0.80% per annum in 2016. These Company has drawn down under the loan agreements with 2 commercial banks totaling Vietnamese Dong 660 billion, equivalent to Baht 1,056 million. During 2017, the Company has additional drawn down under the loan agreements totaling Vietnamese Dong 264 billion, equivalent to Baht 369 million and is repayable in semi-annual installments commencing from August 2017. This loans have no collateral. In 2018, the company paid the loan to financial institutions prior to the payment due date, totaling Baht 548 million.

In 2016 Tin Thanh Packing Joint Stock Company, a subsidiary entered into long-term loan agreement with a commercial bank in Vietnam totaling Vietnamese Dong 140 billion, equivalent to Baht 225 million. This loan bears interest cost of fund plus 0.75% per annum and is repayable in semi-annual installments commencing from July 2017 through July 2021. This loan has no collateral.

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In 2018 Tin Thanh Packing Joint Stock Company, a subsidiary entered into long-term loan agreement with a commercial bank in Vietnam totaling Vietnamese Dong 318 billion, equivalent to Baht 445 million. This loan bears interest cost of fund plus 0.65% per annum and is repayable in semi-annual installments commencing from May 2020 through May 2025. This loan has no collateral.

In 2018 Interpress Printers Sendirian Berhad, a subsidiary entered into long-term loan agreement with a commercial bank in Malaysia totaling Malaysian Ringgit 50 million, equivalent to Baht 390 million. This loan bears interest cost of fund plus 1.75% per annum and is repayable in semi-annual installments commencing from May 2020 through November 2024. This loan has no collateral.

18 Finance lease liabilities

Subsidiaries entered into leased machinery and equipment agreements. Lease terms are for a period of 3 - 5 years. Finance lease liabilities as at 31 December are as follows:

	Principal	Interest	Payments
	<i>(in thousand Baht)</i>		
Year 2018			
Within one year	13,823	1,050	14,873
After one year but within five years	15,327	666	15,993
Total	29,150	1,716	30,866
Year 2017			
Within one year	48,425	3,174	51,599
After one year but within five years	30,632	3,247	33,879
Total	79,057	6,421	85,478

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19 Non-current provisions for employee benefits

The Group operates defined benefit plans based on the requirement of the Thai Labor Protection Act B.E. 2541 to provide retirement benefits and other long-term benefits to employees based on pensionable remuneration and length of service.

The defined benefit plans expose the Group to actuarial risks, such as longevity risk, current risk, interest rate risk and market (investment) risk.

Non-current provisions for employee benefits in consolidated statement of financial position as at 31 December

	2018	2017
	<i>(in thousand Baht)</i>	
Post-employment benefits		
Legal severance payments plan	1,800,293	1,392,247
Pension	41,682	36,434
Other long-term employee benefits	86,224	79,444
Other employee benefits	-	2,107
Total	1,928,199	1,510,232
Less plan assets of foreign subsidiaries	(22,561)	(26,184)
Net	1,905,638	1,484,048

Movement in the present value of non-current provisions for defined benefits plans

	2018	2017
	<i>(in thousand Baht)</i>	
Non-current provisions for defined benefit plans at 1 January	1,508,125	1,383,301
Included in profit or loss		
Current service costs	88,992	80,733
Interest on obligation	54,128	52,118
Actuarial losses	9,029	1,289
	152,149	134,140

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	2018	2017
	<i>(in thousand Baht)</i>	
Included in other comprehensive income		
Actuarial losses	343,401	30,541
Other		
Benefits paid	(71,668)	(106,111)
Acquisition through business combinations	-	68,246
Others	(3,808)	(1,992)
	(75,476)	(39,857)
Non-current provisions for defined benefit plans at 31 December	1,928,199	1,508,125

Movements in the fair value of plan assets of foreign subsidiaries

	2018	2017
	<i>(in thousand Baht)</i>	
Plan assets at 1 January	26,184	24,383
Contributions paid into the plan	4,786	13,860
Benefits paid	(8,211)	(13,860)
Expected return on plan assets	1,261	1,319
Actuarial gains	174	482
Currency translation differences	(1,633)	-
Plan assets at 31 December	22,561	26,184

Actuarial losses (gains) recognized in other comprehensive income as of the end of the reporting period arising from:

	2018	2017
	<i>(in thousand Baht)</i>	
For the years ended 31 December		
Demographic assumptions	69,614	(1,390)
Financial assumptions	21,726	25,608
Experience adjustment	251,887	5,841
Total	343,227	30,059

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SCG Packaging Public Company Limited and its Subsidiaries

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Actuarial assumptions

Principal actuarial assumptions as of the end of the reporting period

	2018	2017
	(%)	
<i>For the years ended 31 December</i>		
Discount rate *		
- Thailand	2.67 - 3.51	2.62 - 3.53
- Vietnam	5.10	6.81 - 6.97
- Indonesia	5.40 - 8.60	7.00 - 7.40
- Philippines	6.17	5.16
Salary increase rate	3.00 - 7.00	3.00 - 8.00
Employee turnover rate **	0.00 - 30.00	1.00 - 35.00
Mortality rate ***	50.00, 100.00 of TMO2017	25.00, 50.00, 75.00, 100.00 of TMO2008

* Market yields on government's bonds for legal severance payments plan and pension

** Upon the length of service

*** In 2018, reference from TMO2017: Thai Mortality Ordinary Table 2017

In 2017, reference from TMO2008: Thai Mortality Ordinary Table 2008

Sensitivity analysis

Reasonably possible changes at the end of the reporting period to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the non-current provisions for defined benefit plans by the amounts shown below.

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Effect on the non-current provisions for defined benefit plans at 31 December

	Increase (decrease)	
	2018	2017
	(in thousand Baht)	
Discount rate		
0.50% increase	(90,188)	(68,609)
0.50% decrease	98,360	74,580
Salary increase rate		
1.00% increase	193,545	171,876
1.00% decrease	(166,651)	(146,843)
Employee turnover rate		
10.00% increase	(44,674)	(47,715)
10.00% decrease	46,603	50,499

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

Plan assets of foreign subsidiaries

	2018	2017
	(%)	
For the years ended 31 December		
Discount rate	6.17	5.16

On 13 December 2018, the National Legislative Assembly approved a bill the Labor Protection Act, that will become effective 30 days after its publication in the Government Gazette, to include a requirement that an employee who is terminated after having been employed by the same employer for an uninterrupted period of twenty years or more, receives severance payment of 400 days of wages at the most recent rate, which is increased from the current maximum rate of 300 days. When the labor law come into force, the Group will recognize the increase in the non-current provisions for employee benefits approximately Baht 527 million, resulting in the decrease in net profit approximately Baht 341 million.

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20 Share capital

	<i>Par value (in Baht)</i>	<i>2018 Number of shares</i>	<i>Value (in thousand shares / thousand Baht)</i>	<i>2017 Number of shares</i>	<i>Value</i>
<i>Authorized</i>					
At 1 January					
- ordinary shares	10	156,300	1,563,000	156,300	1,563,000
At 31 December					
- ordinary shares	10	<u>156,300</u>	<u>1,563,000</u>	<u>156,300</u>	<u>1,563,000</u>
<i>Issued and paid-up</i>					
At 1 January					
- ordinary shares	10	156,300	1,563,000	156,300	1,563,000
At 31 December					
- ordinary shares	10	<u>156,300</u>	<u>1,563,000</u>	<u>156,300</u>	<u>1,563,000</u>

21 Reserves and other components of shareholders' equity

Share premium

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

Legal reserve

Section 116 of the Public Companies Act B.E. 2535 requires that a company shall allocate not less than 5% of its annual net profit, less any accumulated losses brought forward (if any), to a reserve account ("legal reserve"), until this account reaches an amount not less than 10% of the registered authorized capital. The legal reserve is not available for dividend distribution.

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Currency translation differences

The currency translation differences account within equity comprises all foreign currency differences arising from the translation of the financial statements of the Group's foreign operations until disposal of investment.

22 Distribution costs

	2018	2017
	<i>(in thousand Baht)</i>	
Freight and commission expenses	3,128,160	3,097,118
Salary, welfare and employee expenses	844,527	776,890
Custom, insurance expense and intellectual properties fees	354,057	392,541
Sales promotion and advertising expenses	277,663	250,317
Rent, depreciation and amortization	120,058	128,787
Others	240,185	228,377
Total	4,964,650	4,874,030

23 Administrative expenses

	2018	2017
	<i>(in thousand Baht)</i>	
Salary, welfare and employee expenses	2,535,031	2,299,019
Professional and consultant fees	536,498	412,619
Service expenses	336,352	181,913
IT fees	278,274	197,549
Rent, depreciation and amortization	253,700	247,813
Loss from decline in value of inventory	185,720	84,886
Idle costs	65,111	83,270
Others	392,140	333,791
Total	4,582,826	3,840,860

Notes to the financial statements

SCG Packaging Public Company Limited and its Subsidiaries

For the year ended 31 December 2018

24 Employee benefit expenses

	2018	2017
	<i>(in thousand Baht)</i>	
Salaries and wages	7,235,438	6,993,753
Contribution to defined contribution plans	420,226	402,490
Contribution to defined benefit plans	152,149	132,820
Early retirement expenses	85,590	31,820
Others	780,059	757,105
Total	8,673,462	8,317,988

The Group has provident fund plans to provide retirement and gratuity benefits to employees upon resignation at 5% to 10% of the employee's salaries, depending on the length of employment.

The defined contribution plans comprise provident funds established by the Group for its employees in addition to the above provident fund. The provident funds were registered with the Ministry of Finance under the Provident Fund Act B.E. 2530. Membership to the funds is on a voluntary basis. Contributions are made monthly by the employees at 2% to 15% of their basic salaries and by the Company at 5% to 13% of the members' basic salaries, depending on the length of employment.

Notes to the financial statements

SCG Packaging Public Company Limited and its Subsidiaries

For the year ended 31 December 2018

25 Income tax

Income tax recognized in profit or loss

	Note	2018	2017
		<i>(in thousand Baht)</i>	
Current tax			
Current tax expense		1,233,316	630,161
Under (over) provided in prior years		10,485	(13,424)
		<u>1,243,801</u>	<u>616,737</u>
Deferred tax			
Movements in temporary differences	14	23,721	(13,343)
Total		<u>1,267,522</u>	<u>603,394</u>

Income tax recognized in other comprehensive income

	2018	2017
	<i>(in thousand Baht)</i>	
Actuarial losses	<u>(66,578)</u>	<u>(7,787)</u>

Notes to the financial statements

SCG Packaging Public Company Limited and its Subsidiaries

For the year ended 31 December 2018

Reconciliation of effective tax rate

	2018		2017	
	Rate	(in thousand Baht)	Rate	(in thousand Baht)
	(%)		(%)	
Profit before income tax		8,093,822		5,977,736
Share of loss (profit) of associates		14,603		(4,133)
		<u>8,108,425</u>		<u>5,973,603</u>
Income tax using the Thai corporation tax rate	20	1,621,685	20	1,194,721
Tax rates in foreign jurisdictions		73,756		31,441
Income not subject to tax		(5,684)		(16,900)
Tax privileges		(456,352)		(422,938)
Expenses deductible at a greater amount		(57,301)		(52,528)
Expenses not deductible for tax purposes and others		46,302		7,938
Prior year revenue subject to tax in current year		34,638		-
Prior year expenses deductible for tax purposes		-		(35,663)
Tax losses used		(23,728)		(75,910)
Current tax expense		1,233,316		630,161
Under (over) provided in prior years		10,485		(13,424)
Movement in temporary differences		23,721		(13,343)
Income tax expense	16	1,267,522	10	603,394

Notes to the financial statements

SCG Packaging Public Company Limited and its Subsidiaries

For the year ended 31 December 2018

26 Promotional privileges

By virtue of the provisions of the Investment Promotion Act of B.E. 2520, the Group was granted the following privileges.

	Exemption from corporate income tax for 8 years from	50% Deduction of normal corporate income tax for 5 years from
Thai Containers Rayong Co., Ltd.		
Manufacture of corrugated paper and cartons	4 January 2009	4 January 2017
		Exemption from corporate income tax for 8 years from
Phoenix Utilities Co., Ltd.		
Manufacture of electricity and steam		1 April 2011
Siam Kraft Industry Co., Ltd.		
Manufacture of kraft paper		17 March 2011
Manufacture of kraft paper		21 September 2011
Manufacture of kraft paper		15 December 2012
Thai Cane Paper Public Company Limited		
Manufacture of kraft paper		21 May 2013
Manufacture of kraft paper		21 February 2014

Notes to the financial statements

SCG Packaging Public Company Limited and its Subsidiaries

For the year ended 31 December 2018

	Exemption from corporate income tax for 8 years from
Thai Containers Group Co., Ltd.	
Manufacture of corrugated paper	3 October 2011
Manufacture of corrugated paper	1 October 2012
Manufacture of corrugated paper	9 June 2017
Precision Print Co., Ltd.	
Manufacture of printing	10 August 2015
The Siam Forestry Co., Ltd.	
Eucalyptus forest plantation	19 June 2013
SCG Paper Energy Co., Ltd.	
Power management	1 November 2017
Electricity production	19 October 2018
	Exemption from corporate income tax for 6 years from
Thai Paper Co., Ltd.	
Manufacture of coated plastic - Hygienic	29 July 2012
	Exemption from corporate income tax for 5 years from
Prepack Thailand Co., Ltd.	
Manufacture of printing	7 March 2016

Notes to the financial statements

SCG Packaging Public Company Limited and its Subsidiaries

For the year ended 31 December 2018

	Exemption from corporate income tax for 5 years from
Thai Paper Co., Ltd.	
Manufacture of glassine paper	11 April 2017
	Exemption from corporate income tax for 3 years from
Thai Containers Group Co., Ltd.	
Manufacture of corrugated paper	5 March 2014
Manufacture of corrugated paper	12 April 2017
Siam Kraft Industry Co., Ltd.	
Manufacture of kraft paper	11 October 2014
Manufacture of gypsum paper	21 May 2015
Manufacture of industrial paper bag	22 September 2015
Phoenix Pulp & Paper Public Company Limited	
Manufacture of dissolving pulp	10 February 2015
Manufacture of Pulp	22 July 2017
Manufacture of hygienic food packaging	22 March 2018
Thai Paper Co., Ltd.	
Manufacture of Pulp	17 February 2016
Manufacture of hygienic food packaging	3 November 2016
Manufacture of hygienic food packaging	2 March 2018

Notes to the financial statements

SCG Packaging Public Company Limited and its Subsidiaries

For the year ended 31 December 2018

Vina Kraft Paper Co., Ltd. also obtained privileges from a government agency in Vietnam an obligation to pay the income tax at the rate of 15% of taxable profits for the first 12 years starting from the first year of operation, and exemption from corporate income tax for 3 years from the year that profit is first reported and 50% deduction of the said corporate income tax for 7 years thereafter.

Vina Kraft Paper Co., Ltd. also obtained privileges from a government agency in Vietnam for Expanding capacity project No.2 to pay the income tax at the tax rate of 10% of taxable profits for the first 6 years starting from the first year of operation, and exemption from corporate income tax for 2 years from the year that profit is first reported.

Tin Thanh Packing Joint Stock Company also obtained privileges from a government agency in Vietnam an obligation to pay the income tax at the rate of 17% of taxable profits until 2017.

New Asia Industries Co., Ltd. also obtained privileges from a government agency in Vietnam an obligation to pay the income tax at the rate of 15% of taxable profits until 2021.

Alcamax Packaging (Vietnam) Co., Ltd. also obtained privileges from a government agency in Vietnam an obligation to pay the income tax at the rate of 15% of taxable profits until 2027.

AP Packaging (Hanoi) Co., Ltd. also obtained privileges from a government agency in Vietnam an obligation to pay the income tax at the rate of 10% of taxable profits until 2052.

As promoted companies, the Group must comply with certain conditions and restrictions provided for in the promotional certificate.

Notes to the financial statements

SCG Packaging Public Company Limited and its Subsidiaries

For the year ended 31 December 2018

27 Basic earnings per share

The calculations of basic earnings per share for the years ended 31 December was based on the profit for the year attributable to owners of the parent and the weighted average number of ordinary shares outstanding during the years as follow:

	2018	2017
	<i>(in thousand Baht / thousand shares)</i>	
Profit for the year attributable to owners of the parent	6,065,539	4,425,349
Weighted average number of ordinary shares outstanding	156,300	156,300
Basic earnings per share <i>(in Baht)</i>	38.81	28.31

28 Dividends

At the Annual General Meeting of the Shareholders of the Company held on 27 March 2017, the shareholders approved the appropriation of dividends of Baht 5.00 per share, amounting to Baht 782 million. The dividend was paid to shareholders during 2017.

At the Annual General Meeting of the Shareholders of the Company held on 23 March 2018, the shareholders approved the appropriation of dividends of Baht 50.00 per share, amounting to Baht 7,815 million. The dividend was paid to shareholders during 2018.

Notes to the financial statements

SCG Packaging Public Company Limited and its Subsidiaries

For the year ended 31 December 2018

29 Agreements

As at 31 December, the Group had:

- (a) Lease agreements for cars with local companies. The terms of the leases are up to 2019 through 2024 with the annual rental fees of Baht 141 million.
- (b) Lease agreements for land, building and structure with local companies. The terms of the leases are up to 2019 through 2040 with the annual rental fees of Baht 124 million.
- (c) A subsidiary entered into a lease agreement with a government entity for the use of a parcel of land situated at Ubolrat Settlement Area, Khon Kaen Province as its plant site. The agreement is for a period of 3 years (with annual rental of Baht 7 million).
- (d) A subsidiary entered into a lease agreement with an associate covering the land where its factory is located. The agreement has a period of 50 years commencing from 2003, renewal for another 25 years with the annual rental fee of Peso 19.2 million.
- (e) Land leasehold agreement with a foreign company as its plant site. The agreement has a period of 50 years commencing from January 2007. The Company already paid rental in advance amounting to US Dollars 4.8 million which present included under “Other non-current receivables” in the statement of financial position.
- (f) A subsidiary entered into a lease agreement with a foreign company covering the land where its factory is located. The agreement has a period of 25 years commencing from December 1996. The Company already paid rental in advance amounting to US Dollars 1.2 million which present included under “Other non-current receivables” in the statement of financial position.
- (g) Three subsidiaries entered into lease agreements with foreign companies covering the land where their factory are located. Agreements have a period of 49 years commencing from April 1997. The Company already paid rental in advance amounting to US Dollars 2.6 million which present included under “Other non-current receivables” in the statement of financial position.
- (h) A subsidiary entered into lease agreements with foreign companies covering the land where their factory are located. Agreements have a remaining period of 37 years expiring in the year 2053. The Company already paid rental in advance amounting to Vietnamese Dong 40,241 million which present included under “Other non-current receivables” in the statement of financial position.

Notes to the financial statements

SCG Packaging Public Company Limited and its Subsidiaries

For the year ended 31 December 2018

30 Financial instruments

Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

Credit risk

Credit risk arises from the possibility that customers may not be able to settle obligations to the Group as per contracts which may cause financial loss. The Group has a policy to protect this risk by assessing the credit of customers, defining the credit limit, asking for bank guarantees and/or personnel guarantees, credit terms, controlling credit utilization and reviewing collections. Fair value of receivables which are presented in the statement of financial position is the balances net of allowance for doubtful accounts.

Interest rate risk

Interest rate risk arises from the changing of interest rates in the market, which may effect current and future operations of the Group. Management believes that the interest rate risk is minimal, hence, the Group does not have any hedging agreement to protect such risk.

Notes to the financial statements

SCG Packaging Public Company Limited and its Subsidiaries

For the year ended 31 December 2018

The effective interest rates of interest-bearing financial liabilities as at 31 December and the periods in which those liabilities mature were as follows:

	Effective interest rates (% per annum)	Within 1 year	After 1 year but within 5 years (in million Baht)	After 5 years	Total
2018					
Current					
Bank overdrafts and short-term borrowings from financial institutions	MMR, MOR minus 1.75, Cost of fund plus (0.5-0.75), 1.58 - 5.7	4,312	-	-	4,312
Short-term borrowings from related parties	3.75	23,416	-	-	23,416
Long-term borrowings from financial institutions	MLR minus (0.50-2.35), Cost of fund plus 0.75, VNIBOR plus 0.50, 3.65	152	-	-	152
Finance lease liabilities	1.04 - 3.78, 6.10, 21.60	14	-	-	14
Non-current					
Long-term borrowings from financial institutions	MLR minus (0.50-2.35), Cost of fund plus (0.65-1.75), VNIBOR plus 0.50, 3.65	-	528	59	587
Finance lease liabilities	1.04 - 3.78, 6.10, 21.60	-	15	-	15
Total		27,894	543	59	28,496

Notes to the financial statements

SCG Packaging Public Company Limited and its Subsidiaries

For the year ended 31 December 2018

	Effective interest rates (% per annum)	Within 1 year	After 1 year but within 5 years (in million Baht)	After 5 years	Total
2017					
Current					
Bank overdrafts and short-term borrowings from financial institutions	MMR, MOR minus 1.75, Cost of fund plus 0.75, 1.60 - 5.90	5,080	-	-	5,080
Short-term borrowings from related parties	3.75, 4.00	15,496	-	-	15,496
Long-term borrowings from financial institutions	MLR minus (0.50 - 2.35), Cost of fund plus (0.5-0.8), VNIBOR plus 0.50, 3.65, 4.50	2,402	-	-	2,402
Finance lease liabilities	2.30 - 3.40, 6.10, 6.20, 10.50 - 19.00,	48	-	-	48
Non-current					
Long-term borrowings from financial institutions	MLR minus (0.50 - 2.75), Cost of fund plus (0.5-0.8), VNIBOR plus 0.50, 3.65	-	1,269	29	1,298
Finance lease liabilities	2.30 - 3.40, 6.10, 6.20, 10.50 - 19.00,	-	30	-	30
Total		23,026	1,299	29	24,354

Foreign exchange risk

Foreign currency risk arises from the fluctuation of foreign exchange rates.

The Group has a policy to enter into forward exchange contracts to manage foreign exchange risk related to assets and liabilities denominated in foreign currencies.

Notes to the financial statements

SCG Packaging Public Company Limited and its Subsidiaries

For the year ended 31 December 2018

Fair values of financial assets and liabilities

The fair value of current portion of financial assets and liabilities are taken to approximate the carrying value due to the relatively short-term maturity of these financial instruments.

The fair value of long-term borrowings carrying a floating rate, which is considered to be market rate, are taken to approximate their fair values.

Other financial assets and liabilities not stated above had the fair and carrying value at 31 December as follows:

	2018		2017	
	Carrying amount	Fair value Level 2	Carrying amount	Fair value Level 2
	<i>(in million Baht)</i>			
Current				
Current portion of long term borrowings	-	-	1,950	1,958
Forward exchange contracts *				
Forward receivable	827	818	1,363	1,358
Forward payable	1,070	1,059	1,215	1,207

* The fair value of forward exchange contracts were calculated using the rates initially quoted by the Group's bankers which were based on market conditions existing at the end of the reporting period to reflect current fair values of the contracts.

The Group determines Level 2 fair values for debt securities using a discounted cash flow technique, which uses contractual cash flows and a market-related discount rate.

Level 2 fair values for simple over-the-counter derivative financial instruments are based on broker quotes. Those quotes are tested for reasonableness by discounting expected future cash flows using market interest rate for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group and counterparty when appropriate.

Notes to the financial statements

SCG Packaging Public Company Limited and its Subsidiaries

For the year ended 31 December 2018

31 Commitments and contingent liabilities

As at 31 December 2018, the Group had:

- (a) The purchase and installation of machinery and equipment of Baht 1,873 million (2017: Baht 1,684 million).
- (b) The purchase of raw material of Baht 35 million (2017: Baht 194 million).
- (c) Outstanding forward exchange contracts for foreign currencies against Thai Baht as follows:

	Contract amount							
	Forward Receivable				Forward Payable			
	Currency		Equivalent to Baht		Currency		Equivalent to Baht	
	2018	2017	2018	2017	2018	2017	2018	2017
	(in million)		(in million Baht)		(in million)		(in million Baht)	
US Dollars	25	42	822	1,359	24	20	769	662
Euro	-	-	-	-	8	12	293	456
Yuan	-	-	-	-	-	2	-	11
Yen	-	-	-	-	23	152	7	45
Other			5	4			1	41
Total			827	1,363			1,070	1,215

The above contracts are due within December 2019 (2017: due within November 2018).

- (d) Contingent liability for letter of guarantees issued by local banks for the Group to government organizations of Baht 67 million (2017: Baht 61 million).
- (e) Contingent liability for borrowings guarantees issued by a local bank for the Group to associate which limit is not exceed Baht 330 million.

In addition, the Group has signed commitment contract after reporting period for purchase and installation of machinery for expanding project of Packaging Operation in the Philippines, totaling United State Dollar 24.9 million or equivalent to approximately Baht 808 million.

Notes to the financial statements

SCG Packaging Public Company Limited and its Subsidiaries

For the year ended 31 December 2018

32 Capital management

The management of the Group has the capital management policy to maintain a strong capital base by emphasis on planning and determining the operating strategies resulting in good business's performance and sustained good cash flows management. In addition, the Group considers investing in projects which have good rate of return, appropriate working capital management, maintain a strong financial position and appropriate investment structure as to maintain sustained future operations of the business and to maintain shareholders, investors, creditors and others interest's confidence.

33 Events after the reporting period

At the Board of Directors' Meeting of the Company held on 30 January 2019, the directors proposed for approval at the Annual General Meeting of Shareholders, the payment of a dividend for 2018 at the rate of Baht 10.00 per share, amounting to Baht 1,563 million and is scheduled for payment on 25 April 2019. The dividend is subject to the approval of the Shareholders at the Annual General Meeting to be held on 26 March 2019.

34 Thai Financial Reporting Standards (TFRS) that have been issued but is not yet effective

The new and revised TFRSs have been issued but are not yet effective and have not been applied in preparing these consolidated financial statements. The new and revised TFRSs that may be relevant to the Group's operations, which become effective for annual financial periods beginning on or after 1 January 2019 and 2020. The Group does not plan to early adopt these TFRSs.

The Group has made assessment of potential impact on the consolidated financial statements of the revised TFRSs and there will be no material impact on the financial statements in the period of initial application.

Notes to the financial statements

SCG Packaging Public Company Limited and its Subsidiaries

For the year ended 31 December 2018

The new TFRSs are set out below:

TFRS	Topic	Effective
TFRS 7*	Financial Instruments: Disclosures	2020
TFRS 9*	Financial Instruments	2020
TFRS 15	Revenue from Contracts with Customers	2019
TAS 32*	Financial Instruments: Presentation	2020
TFRIC 16*	Hedges of a Net Investment in a Foreign Operation	2020
TFRIC 19*	Extinguishing Financial Liabilities with Equity Instruments	2020

* TFRS - Financial instruments standards

(a) TFRS 15 Revenue from Contracts with Customers

TFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. Revenue should be recognized when (or as) an entity transfers control over goods or services to a customer, measured at the amount to which the entity expects to be entitled.

The Group has made an assessment of the potential impact of adopting and initially applying TFRS 15 on the consolidated financial statements and there are no material impact on the consolidated financial statements in the period of initial application.

(b) TFRS - Financial instruments standards

These TFRS establish requirements related to definition, recognition, measurement, impairment and derecognition of financial assets and financial liabilities, including accounting for derivatives and hedge accounting.

The Group has made an assessment of the potential impact of adopting and initially applying TFRS - Financial instruments standards on the consolidated financial statements.

2018 Financial Statements

SCG Packaging Public Company Limited



Independent auditor's Report

To the Shareholders of SCG Packaging Public Company Limited

Opinion

I have audited the financial statements of SCG Packaging Public Company Limited (the “Company”), which comprise the statement of financial position as at 31 December 2018, the income statement and statements of comprehensive income, changes in shareholders’ equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, its financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs).

Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing (TSAs). My responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Company in accordance with the Code of Ethics for Professional Accountants issued by the Federation of Accounting Professions that is relevant to my audit of the 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.

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.

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 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. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with TFRSs, 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.

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 TSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the 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.

I communicate with management 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.



(Thanyalux Keadkeaw)
Certified Public Accountant
Registration No. 8179

KPMG Phoomchai Audit Ltd.
Bangkok
12 February 2019

Statement of financial position

SCG Packaging Public Company Limited

As at 31 December 2018

Assets	Note	2018	2017
<i>(in thousand Baht)</i>			
Current assets			
Cash and cash equivalents		5,673	4,703
Other current receivables	4, 5	193,394	149,770
Short-term loans to related parties	4	17,862,997	11,147,587
Other current assets	6	22,142	88,457
Total current assets		18,084,206	11,390,517
Non-current assets			
Investments in associates	7	350,121	350,121
Investments in subsidiaries	8	28,398,365	27,027,254
Other non-current receivables		11,555	13,847
Investment properties	9	299,572	237,150
Property, plant and equipment	10	225,595	240,563
Intangible assets	11	30,107	24,536
Deferred tax asset	12	34,602	17,787
Other non-current assets		44,608	124,360
Total non-current assets		29,394,525	28,035,618
Total assets		47,478,731	39,426,135

For and on behalf of the Board of Directors



(Roongrote Rangsiyopash)

Chairman



(Tanawong Areeratchakul)

Vice-Chairman and President

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

Statement of financial position

SCG Packaging Public Company Limited

As at 31 December 2018

Liabilities and shareholders' equity	Note	2018	2017
		<i>(in thousand Baht)</i>	
<i>Current liabilities</i>			
Other current payables	4, 13	139,425	100,498
Short-term borrowings from related parties	4	23,343,402	15,458,617
Current provisions for employee benefits		13,439	13,759
Total current liabilities		23,496,266	15,572,874
<i>Non-current liabilities</i>			
Non-current provisions for employee benefits	14	159,578	75,451
Other non-current liabilities		8,021	8,168
Total non-current liabilities		167,599	83,619
Total liabilities		23,663,865	15,656,493

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

Statement of financial position

SCG Packaging Public Company Limited

As at 31 December 2018

Liabilities and shareholders' equity	Note	2018	2017
<i>(in thousand Baht)</i>			
Shareholders' equity			
Share capital	15		
<i>Authorized share capital</i>			
- Ordinary share		1,563,000	1,563,000
<i>Issued and paid share capital</i>			
- Ordinary share		1,563,000	1,563,000
Share premium	16	1,935,000	1,935,000
Retained earnings			
<i>Appropriated</i>			
Legal reserve	16	156,300	156,300
General reserve		3,000	3,000
<i>Unappropriated</i>		20,157,566	20,112,342
Total shareholders' equity		23,814,866	23,769,642
Total liabilities and shareholders' equity		47,478,731	39,426,135

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

Income statement

SCG Packaging Public Company Limited

For the year ended 31 December 2018

	Note	2018	2017
		<i>(in thousand Baht)</i>	
Dividend income	4, 7, 8	7,824,862	801,704
Service income	4	1,287,578	1,158,579
Other income	4	403,022	224,306
Gain on exchange rate		329	117
Total revenues before expenses		9,515,791	2,184,706
Administrative expenses	4, 17	(1,374,205)	(1,219,337)
Profit before finance costs and income tax		8,141,586	965,369
Finance costs	4	(195,404)	(146,463)
Profit before income tax		7,946,182	818,906
Tax income (expenses)	19	(21,188)	149
Profit for the year		7,924,994	819,055
Basic earnings per share (in Baht)	20	50.70	5.24

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

Statement of comprehensive income

SCG Packaging Public Company Limited

For the year ended 31 December 2018

	Note	2018	2017
		<i>(in thousand Baht)</i>	
Profit for the year		7,924,994	819,055
Other comprehensive income			
<i>Components of other comprehensive income</i>			
<i>that will not be reclassified to profit or loss</i>			
Defined benefit plan actuarial gains (losses)	14	(80,963)	2,657
Income tax relating to components of other comprehensive			
income that will not be reclassified to profit or loss	19	16,193	(532)
Other comprehensive income for the year, net of tax		(64,770)	2,125
Total comprehensive income for the year		7,860,224	821,180

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

Statement of changes in shareholders' equity

SCG Packaging Public Company Limited

For the year ended 31 December 2018

	Note	Issued and paid share capital	Share premium	Retained earnings			Total shareholders' equity
				Appropriated		Unappropriated	
				Legal reserve	General reserve		

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

Statement of changes in shareholders' equity

SCG Packaging Public Company Limited

For the year ended 31 December 2018

	Note	Issued and paid share capital	Share premium	Retained earnings			Total shareholders' equity
				Appropriated		Unappropriated	
				Legal reserve	General reserve		

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

Statement of cash flows

SCG Packaging Public Company Limited

For the year ended 31 December 2018

	Note	2018	2017
<i>(in thousand Baht)</i>			
<i>Cash flows from operating activities</i>			
Profit for the year		7,924,994	819,055
<i>Adjustments for</i>			
Tax expenses (income)		21,188	(149)
Depreciation and amortization		41,646	39,871
Employee benefit expense		16,062	8,180
Allowance for doubtful debts expenses		16,963	-
Unrealized losses on foreign currency exchange		115	219
Gain on sales of investment		(173,185)	-
Losses on sales of property, plant and equipment		26	-
Dividend income		(7,824,862)	(801,704)
Interest income		(582,567)	(387,022)
Interest expense		777,944	533,383
Cash flows generated from operations			
before changes in operating assets and liabilities		<u>218,324</u>	<u>211,833</u>
<i>Decrease (increase) in operating assets</i>			
Other current receivables and other non-current receivables		<u>(54,262)</u>	<u>9,191</u>
Net decrease (increase) in operating assets		<u>(54,262)</u>	<u>9,191</u>

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

Statement of cash flows

SCG Packaging Public Company Limited

For the year ended 31 December 2018

	<i>Note</i>	2018	2017
		<i>(in thousand Baht)</i>	
<i>Increase (decrease) in operating liabilities</i>			
Other current payables		21,572	(32,009)
Provisions for employee benefits		(2,381)	(1,824)
Net increase (decrease) in operating liabilities		19,191	(33,833)
Net cash flows generated from operations		183,253	187,191
Income tax paid		(6,879)	(42,860)
Net cash flows provided by operating activities		176,374	144,331
<i>Cash flows from investing activities</i>			
Investment in subsidiaries	6, 8	(1,324,099)	(961,384)
Proceeds from sales of property, plant and equipment		22	-
Acquisition of investment property		(64,261)	-
Acquisition of property, plant and equipment		(20,442)	(23,049)
Acquisition of intangible assets		(10,531)	(9,811)
Proceeds from sales of other investment		257,309	-
Payments of short-term loans to related parties		(6,715,410)	(2,018,949)
Dividends received		7,824,862	801,704
Interest received		578,324	383,822
Net cash flows provided by (used in) investing activities		525,774	(1,827,667)

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

Statement of cash flows

SCG Packaging Public Company Limited

For the year ended 31 December 2018

	2018	2017
	<i>(in thousand Baht)</i>	
<i>Cash flows from financing activities</i>		
Proceeds from short-term borrowings from related parties	7,884,785	2,991,731
Dividends paid	(7,815,147)	(777,125)
Interest paid	(770,816)	(531,277)
Net cash flows provided by (used in) financing activities	(701,178)	1,683,329
 Net increase (decrease) in cash and cash equivalents	 970	 (7)
Cash and cash equivalents at beginning of the year	4,703	4,710
Cash and cash equivalents at end of the year	5,673	4,703
 <i>Supplementary information for cash flows</i>		
Non-cash transactions		
Account payables from purchases of assets	5,526	6,041

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

Notes to the financial statements

SCG Packaging Public Company Limited

For the year ended 31 December 2018

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Notes to the financial statements

SCG Packaging Public Company Limited

For the year ended 31 December 2018

These notes form an integral part of the financial statements.

The financial statements issued for Thai statutory and regulatory reporting purposes are prepared in the Thai and English languages, and were approved and authorized for issue by the management on 12 February 2019.

1 General information

SCG Packaging Public Company Limited, the “Company”, is incorporated in Thailand.

The head office of the Company is located at 1 Siam Cement Road, Bangsue, Bangkok 10800, Thailand.

The parent company is The Siam Cement Public Company Limited. It is incorporated in Thailand.

The Company is engaged in investment.

2 Basis of preparation of the financial statements

(a) *Statement of compliance*

The financial statements are prepared in accordance with Thai Financial Reporting Standards (TFRSs); guidelines promulgated by the Federation of Accounting Professions (“FAP”).

The FAP has issued new and revised TFRSs effective for annual accounting periods beginning on or after 1 January 2018. The adoption of these new and revised TFRSs did not have any material effect on the accounting policies, methods of computation, financial performance or position of the Company.

In addition to the above new and revised TFRSs, the FAP has issued a number of new and revised TFRSs which are effective for annual accounting periods beginning on or after 1 January 2019 and 2020 and have not been adopted in the preparation of these financial statements because they are not yet effective. The new and revised TFRSs are disclosed in note 27.

Notes to the financial statements

SCG Packaging Public Company Limited

For the year ended 31 December 2018

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following material item in the statements of financial position: defined benefit obligations are measured at the present value of non-current provisions for defined benefit plans.

(c) Functional and presentation currency

The financial statements are prepared and presented in Thai Baht, which is the Company's functional currency. All financial information presented in Thai Baht has been rounded in the notes to the financial statements to the nearest thousand unless otherwise stated.

(d) Use of estimates and judgments

The preparation of financial statements in conformity with TFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements is included in the following notes:

Note 5, 6, 7, 8, 9 and 10	Measurement of the recoverable amounts of each asset and cash-generating units; and
Note 14	Measurement of non-current provision for defined benefit plans: - key actuarial assumptions.

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.

The Company has an established framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the CFO

Notes to the financial statements

SCG Packaging Public Company Limited

For the year ended 31 December 2018

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of TFRS, including the level in the fair value hierarchy in which these valuations should be classified.

Significant valuation issues are reported to the Company Committee.

When measuring the fair value of an asset or a liability, the Company uses observable market 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 that the entity can access at the measurement date.
- 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 are unobservable inputs for the asset or liability.

If the inputs used to measure the fair value of an asset or liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 9 Investment properties; and
- Note 23 Financial instruments.

3 Significant accounting policies

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

Notes to the financial statements

SCG Packaging Public Company Limited

For the year ended 31 December 2018

(a) Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to functional currency at the foreign exchange rates ruling at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated to the functional currency at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognized in profit or loss.

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

(b) Cash and cash equivalents

Cash and cash equivalents in the statements of cash flows comprise cash on hand, saving deposits, current deposits and highly liquid short-term investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

In addition, bank overdrafts that are repayable on demand are a component of financing activities for the purpose of the statement of cash flows.

(c) Other receivables

Other receivables are stated at their invoice value less allowance for doubtful accounts.

The allowance for doubtful accounts is primarily assessed on analysis of payment histories and future expectations of receivable payments. Bad debts are written off when incurred.

Bad debts recovered are recognized in other income in profit or loss

(d) Investments

Investment in associates and subsidiaries

Investments in associates and subsidiaries are accounted for using the cost method less any accumulated impairment losses.

Notes to the financial statements

SCG Packaging Public Company Limited

For the year ended 31 December 2018

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 amount of the total holding of the investment.

(e) *Investment properties*

Investment properties are properties which are held to earn rental income, for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the investment properties. The cost of self-constructed investment properties includes the cost of materials and direct labor, and other costs directly attributable to bringing the investment properties to a working condition for its intended use and capitalized borrowing costs of a qualifying asset.

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

Land improvements	20 years
Building and structures	5, 20 years

Reclassification to property, plant and equipment

When the use of an investment properties changes such that it is reclassified as property, plant and equipment, its carrying amount at the date of reclassification becomes its cost for subsequent accounting.

(f) *Property, plant and equipment*

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Notes to the financial statements

SCG Packaging Public Company Limited

For the year ended 31 December 2018

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

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

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

Reclassification to investment properties

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

Subsequent costs

The cost of replacing a part of an item of property, plant and equipment, including major inspections, 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.

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:

Land improvements	5, 20 years
Building and structures	5, 10, 20 years

Notes to the financial statements

SCG Packaging Public Company Limited

For the year ended 31 December 2018

Machinery and equipment	5, 10, 15, 20 years
Transportation equipment	5, 10 years
Furniture, fixtures and office equipment	3, 5, 20 years

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.

(g) Intangible assets

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

Subsequent expenditure

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

Amortization

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

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

The estimated useful lives are as follows:

Software licenses	3, 5, 10 years
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No amortization is provided on assets under development.

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

Notes to the financial statements

SCG Packaging Public Company Limited

For the year ended 31 December 2018

(h) Impairment

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

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

Calculation of recoverable amount

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

Reversals of impairment

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

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

(i) Other current payables

Other current payables are stated at cost.

Notes to the financial statements

SCG Packaging Public Company Limited

For the year ended 31 December 2018

(j) Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount.

The calculation of defined benefit obligations is performed by a qualified actuary using the projected unit credit method which is based on actuarial valuation method.

Remeasurements of the net defined benefit liability, actuarial gain or loss are recognized in other comprehensive income. The Company determines the interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Other long-term employee benefits

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognized in profit or loss in the period in which they arise.

Notes to the financial statements

SCG Packaging Public Company Limited

For the year ended 31 December 2018

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(k) 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. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(l) Revenue

Revenue excludes value added taxes.

Rental income

Rental income is recognized in profit or loss on a straight-line basis over the term of the rent. Lease incentives granted are recognized as expenses in which they are incurred.

Interest and dividend income

Interest income is recognized in profit or loss using the effective interest method. Dividend income is recognized in profit or loss on the date the Company's right to receive payments is established.

Royalty fee income

Royalty fee income is recognized on an accrual basis in accordance with the terms of agreement.

Notes to the financial statements

SCG Packaging Public Company Limited

For the year ended 31 December 2018

(m) Expenses

Operating leases

Payments made under operating leases are recognized in profit or loss on a straight line basis over the term of the lease. Lease incentives received are recognized in profit or loss as an integral part of the total lease expense, over the term of lease.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Finance costs

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and contingent consideration.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

Early retirement expenses

The Company offered certain qualifiable employees the option to take early retirement from the Company. Eligible employees who accept the offer are paid a lump sum amount which is calculated based on a formula using their final month's pay, number of years of service or the number of remaining months before normal retirement as variables. The Company records expenses on early retirement upon mutual acceptance.

(n) Income tax

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

Current tax

Current tax is the expected tax payable or receivable on the taxable income 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 previous years.

Notes to the financial statements

SCG Packaging Public Company Limited

For the year ended 31 December 2018

Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of goodwill; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and differences relating to investments in subsidiaries and joint ventures to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, using tax rates enacted or substantively enacted at the end of the reporting period.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

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

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

4 Related parties

Parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions,

Notes to the financial statements

SCG Packaging Public Company Limited

For the year ended 31 December 2018

or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Relationships with related parties were as follows:

Name of entities	Country of incorporation / nationality	Nature of relationships
The Siam Cement Public Company Limited	Thailand	Ultimate parent company
Siam Kraft Industry Co., Ltd.	Thailand	Subsidiary, direct ownership interest
Phoenix Pulp & Paper Public Company Limited	Thailand	Subsidiary, direct ownership interest
Thai Cane Paper Public Company Limited	Thailand	Subsidiary, direct ownership interest
Thai Containers Group Co., Ltd.	Thailand	Subsidiary, direct ownership interest
Invenique Co., Ltd.	Thailand	Subsidiary, direct ownership interest
United Pulp and Paper Co., Inc.	Philippines	Subsidiary, direct ownership interest
SCGP Excellence Training Center Co., Ltd.	Thailand	Subsidiary, direct ownership interest
SCG Paper Energy Co., Ltd.	Thailand	Subsidiary, direct ownership interest
SCGP Solutions Co., Ltd.	Thailand	Subsidiary, direct ownership interest
SCGP-T Plastics Co., Ltd.	Thailand	Subsidiary, direct ownership interest
SCGP Solutions (Singapore) Pte. Ltd.	Singapore	Subsidiary, direct ownership interest
Phoenix Utilities Co., Ltd.	Thailand	Subsidiary, indirect ownership interest
Thai Containers Khonkaen Co., Ltd.	Thailand	Subsidiary, indirect ownership interest
Thai Containers Rayong Co., Ltd.	Thailand	Subsidiary, indirect ownership interest
The Siam Forestry Co., Ltd.	Thailand	Subsidiary, indirect ownership interest
Thai Paper Co., Ltd.	Thailand	Subsidiary, indirect ownership interest
Thai Wanabhum Co., Ltd.	Thailand	Subsidiary, indirect ownership interest
Siam Panawes Co., Ltd.	Thailand	Subsidiary, indirect ownership interest
Thai Panaboon Co., Ltd.	Thailand	Subsidiary, indirect ownership interest
Thai Panaram Co., Ltd.	Thailand	Subsidiary, indirect ownership interest
Panas Nimit Co., Ltd.	Thailand	Subsidiary, indirect ownership interest
Suanpa Rungsris Co., Ltd.	Thailand	Subsidiary, indirect ownership interest
Thai Panadorn Co., Ltd.	Thailand	Subsidiary, indirect ownership interest
Thai Panason Co., Ltd.	Thailand	Subsidiary, indirect ownership interest

Notes to the financial statements

SCG Packaging Public Company Limited

For the year ended 31 December 2018

Name of entities	Country of incorporation / nationality	Nature of relationships
Tawana Container Co., Ltd.	Thailand	Subsidiary, indirect ownership interest
Dyna Packs Co., Ltd.	Thailand	Subsidiary, indirect ownership interest
Orient Containers Co., Ltd.	Thailand	Subsidiary, indirect ownership interest
D-In Pack Co., Ltd.	Thailand	Subsidiary, indirect ownership interest
TC Flexible Packaging Co., Ltd.	Thailand	Subsidiary, indirect ownership interest
Prepack Thailand Co., Ltd.	Thailand	Subsidiary, indirect ownership interest
Precision Print Co., Ltd.	Thailand	Subsidiary, indirect ownership interest
Conimex Co., Ltd.	Thailand	Subsidiary, indirect ownership interest
Vina Kraft Paper Co., Ltd.	Vietnam	Subsidiary, indirect ownership interest
New Asia Industries Co., Ltd.	Vietnam	Subsidiary, indirect ownership interest
Alcamax Packaging (Vietnam) Co., Ltd.	Vietnam	Subsidiary, indirect ownership interest
AP Packaging (Hanoi) Co., Ltd.	Vietnam	Subsidiary, indirect ownership interest
Packamex (Vietnam) Co., Ltd.	Vietnam	Subsidiary, indirect ownership interest
Tin Thanh Packing Joint Stock Company	Vietnam	Subsidiary, indirect ownership interest
TCG Rengo (S) Limited	Singapore	Subsidiary, indirect ownership interest
Paperlink Inter-Trade Corporation	Philippines	Subsidiary, indirect ownership interest
PT Primacorr Mandiri	Indonesia	Subsidiary, indirect ownership interest
PT Indoris Printingdo	Indonesia	Subsidiary, indirect ownership interest
PT Indocorr Packaging Cikarang	Indonesia	Subsidiary, indirect ownership interest
Interpress Printers Sendirian Berhad	Malaysia	Subsidiary, indirect ownership interest
Siam Toppan Packaging Co., Ltd.	Thailand	Associate, direct ownership interest
P&S Holdings Corporation	Philippines	Associate, direct ownership interest
Sahagreen Forest Co., Ltd.	Thailand	Associate, indirect ownership interest
Siam Nippon Industrial Paper Co., Ltd.	Thailand	Associate, indirect ownership interest
PT SCG Indonesia	Indonesia	Subsidiary of The Siam Cement Public Company Limited
SCG Vietnam Co., Ltd.	Vietnam	Subsidiary of The Siam Cement Public Company Limited
SCG Legal Counsel Limited	Thailand	Subsidiary of The Siam Cement Public Company Limited

Notes to the financial statements

SCG Packaging Public Company Limited

For the year ended 31 December 2018

Significant transactions with related parties for the years ended 31 December and the pricing policies are summarized as follows:

	2018	2017	Pricing Policies
	(in thousand Baht)		
Parent			
Rental and service expense	158,934	77,244	Contract rate and market price
Interest expense	777,839	533,213	Contract rate
Subsidiaries			
Rental income	28,779	28,827	Contract rate
Management fee income	182,425	163,940	Percentage of net sales
Service income	1,287,578	1,158,579	Market price
Dividend income	7,802,977	774,457	Upon declaration
Interest income	582,567	387,022	Contract rate
Interest expense	106	170	Contract rate
Associates			
Dividend income	11,123	14,039	Upon declaration

In the income statement for the year ended 31 December 2018, the Company presents finance costs of Baht 195 million (2017: Baht 146 million), which is comprised of interest expense from related parties and finance charges of Baht 778 million (2017: Baht 533 million) and interest income from related parties of Baht 583 million (2017: Baht 387 million).

Notes to the financial statements

SCG Packaging Public Company Limited

For the year ended 31 December 2018

Balances as at 31 December with related parties were as follows:

Other current receivables

	2018	2017
	<i>(in thousand Baht)</i>	
Siam Kraft Industry Co., Ltd.	56,992	35,693
Vina Kraft Paper Co., Ltd.	26,432	13,334
Thai Containers Group Co., Ltd.	19,071	13,169
Thai Paper Co., Ltd.	18,494	14,083
Phoenix Pulp & Paper Public Company Limited	12,949	9,911
United Pulp and Paper Co., Inc.	9,143	3,427
Thai Cane Paper Public Company Limited	8,824	5,803
Interpress Printers Sendirian Berhad	4,550	-
SCGP Excellence Training Center Co., Ltd.	3,638	1,273
Thai Containers Rayong Co., Ltd.	1,641	685
The Siam Forestry Co., Ltd.	1,603	968
Others	6,183	7,288
Total	169,523	105,634

Short-term loans to related parties

	2018	2017
	<i>(in thousand Baht)</i>	
Notes receivable (Interest rate 3.75% per annum in 2018 and Interest rate 3.75% to 4.00% per annum in 2017)		
Siam Kraft Industry Co., Ltd.	13,194,544	7,788,166
Thai Containers Group Co., Ltd.	3,704,207	2,844,587
SCG Paper Energy Co., Ltd.	826,452	71,149
SCGP-T Plastics Co., Ltd.	137,794	278,469
SCGP Solutions Co., Ltd.	-	165,216
Total	17,862,997	11,147,587

Notes to the financial statements

SCG Packaging Public Company Limited

For the year ended 31 December 2018

Movements during the years on short-term loans to related parties were as follows:

	2018	2017
	<i>(in thousand Baht)</i>	
At 1 January	11,147,587	9,128,638
Increase	32,824,094	25,027,827
Decrease	(26,108,684)	(23,008,878)
At 31 December	17,862,997	11,147,587

Other current payables

	2018	2017
	<i>(in thousand Baht)</i>	
The Siam Cement Public Company Limited	43,155	23,501
Siam Kraft Industry Co., Ltd.	3,598	4,616
SCG Vietnam Co., Ltd.	3,561	3,586
SCG Legal Counsel Limited	2,937	870
PT SCG Indonesia	1,768	1,780
Others	3,622	6,629
Total	58,641	40,982

Short-term borrowings from related parties

	2018	2017
	<i>(in thousand Baht)</i>	
Notes payable (Interest rate 0.50% to 3.75% per annum in 2018 and Interest rate 0.50% to 4.00% per annum in 2017)		
The Siam Cement Public Company Limited	23,309,751	15,444,571
SCGP Excellence Training Center Co., Ltd.	27,553	7,210
Invenique Co., Ltd.	5,267	6,836
SCGP Solutions Co., Ltd.	831	-
Total	23,343,402	15,458,617

Notes to the financial statements

SCG Packaging Public Company Limited

For the year ended 31 December 2018

Movements during the years on short-term loans borrowings from related parties were as follows:

	2018	2017
	<i>(in thousand Baht)</i>	
At 1 January	15,458,617	12,466,886
Increase	21,258,580	14,145,885
Decrease	(13,373,795)	(11,154,154)
At 31 December	23,343,402	15,458,617

Key management compensation

	2018	2017
	<i>(in thousand Baht)</i>	
<i>For the years ended 31 December</i>		
Short-term benefits	94,956	87,832
Post-employment benefits	8,609	7,659
Total	103,565	95,491

Management compensation comprises of the remuneration paid to the management as staff expenses in terms of salary, bonus, others and contribution to defined contribution plans.

5 Other current receivables

	Note	2018	2017
		<i>(in thousand Baht)</i>	
Related parties	4	169,523	105,634
Other parties		23,871	44,136
Total		193,394	149,770

Notes to the financial statements

SCG Packaging Public Company Limited

For the year ended 31 December 2018

Other current receivables as at 31 December were as follows:

	2018	2017
	<i>(in thousand Baht)</i>	
Accrued service income	152,529	93,167
Accrued interest income	16,027	11,784
Others	24,838	44,819
Total	193,394	149,770

6 Other current assets

	2018	2017
	<i>(in thousand Baht)</i>	
Withholding tax	22,142	41,445
Specified purpose deposit in bank for investment projects	-	47,012
Total	22,142	88,457

Notes to the financial statements

SCG Packaging Public Company Limited

For the year ended 31 December 2018

7 Investments in associates

Investments in associates as at 31 December and dividends income from these investments for the years then ended at the same date were as follows:

	Ownership interest		Paid-up capital		Cost method		Dividend income	
	2018	2017	2018	2017	2018	2017	2018	2017
	(%)				(in thousand Baht)			
Siam Toppan Packaging Co., Ltd.	49	49	500,000	500,000	245,000	245,000	11,123	14,039
P&S Holdings Corporation	40	40	262,588	262,588	105,121	105,121	-	-
Total			762,588	762,588	350,121	350,121	11,123	14,039

Notes to the financial statements

SCG Packaging Public Company Limited

For the year ended 31 December 2018

8 Investments in subsidiaries

Movements for the years ended 31 December in investments in subsidiaries accounted for using the cost method were as follows:

	2018	2017
	<i>(in thousand Baht)</i>	
At 1 January	27,027,254	26,112,882
Acquisitions and additional investments	1,371,111	914,372
At 31 December	28,398,365	27,027,254

In February 2017, the Company had repurchased all shares of Phoenix Pulp & Paper Public Company Limited (“PPPC”) from NP Trading Company Limited which consisted of 1,928,388 ordinary shares and 171,612 preferred shares at Baht 82.00 per share totaling Baht 172 million. As a result, the Company’s ownership was increased from 68.73% to 69.58%.

In May 2017, the Company had paid-up increased share capital of SCG Paper Energy Co., Ltd. for 7,400,000 shares at 70 Baht per share totaling Baht 518 million. The Company has already been registered with Ministry Commerce on 26 May 2017.

In July 2017, the Company registered SCGP Solutions Co., Ltd. which is virtually owned 99.97% totaling Baht 1 million. The Company has already been registered with Ministry Commerce on 27 July 2017.

In September 2017, the Company had paid-up share capital of SCG Paper Energy Co., Ltd. for 7,400,000 shares at 30 Baht per share totaling Baht 222 million.

In September 2017, the Company registered SCGP-T Plastics Co., Ltd. which is virtually owned 99.97% totaling Baht 1 million. The Company has already been registered with Ministry Commerce on 29 September 2017.

In January 2018, the Company registered SCGP Solutions (Singapore) Pte. Ltd. which is virtually owned 100.00% totaling Ringgit 61 million or equivalent to approximately Baht 492 million.

Notes to the financial statements

SCG Packaging Public Company Limited

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In February 2018, the Company had paid-up increased share capital of SCGP-T Plastics Co., Ltd. for 1,480,000 shares at 100 Baht per share totaling Baht 148 million. The Company has already been registered with Ministry Commerce on 6 March 2018.

In March 2018, the Company had paid-up increased share capital of SCGP Solutions Co., Ltd. for 1,690,000 shares at 100 Baht per share totaling Baht 169 million. The Company has already been registered with Ministry Commerce on 23 March 2018.

In March 2018, the Company had paid-up increased share capital of SCGP Solutions (Singapore) Pte. Ltd. for 9,200,000 shares totaling Ringgit 28 million or equivalent to approximately Baht 225 million and in July 2018, for 399,999 shares totaling Singapore Dollar 399,999 or equivalent to approximately Baht 10 million.

In December 2018, the Company had repurchased shares of Thai Cane Paper Public Company Limited (“TCP”) from Sa Ha Sit Import and Export (Thailand) Co., Ltd. and other minority shareholders which consisted of 13,089,234 ordinary shares at Baht 25.00 per share totaling Baht 327 million. As a result, the Company’s ownership was increased from 94.54% to 98.20%.

Notes to the financial statements

SCG Packaging Public Company Limited

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Investments in subsidiaries as at 31 December and dividend income from these investments for the years then ended at the same date were as follows:

	Ownership interest (%)	Paid-up capital		Cost method		Accumulated impairment losses		Net		Dividend income	
		2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
		<i>(in thousand Baht)</i>									
Siam Kraft Industry Co., Ltd.	100	3,450,000	3,450,000	3,982,680	3,982,680	-	-	3,982,680	3,982,680	7,107,000	362,250
Thai Containers Group Co., Ltd.	70	1,384,000	1,384,000	1,013,805	1,013,805	-	-	1,013,805	1,013,805	290,640	106,568
Invenique Co., Ltd.	100	70,200	70,200	70,200	70,200	64,035	64,035	6,165	6,165	-	-
Phoenix Pulp & Paper Public Company Limited	69.58	2,462,812	2,462,812	13,439,561	13,439,561	-	-	13,439,561	13,439,561	126,811	68,548
United Pulp and Paper Co., Inc.	77.33	4,327,982	4,327,982	2,963,899	2,963,899	-	-	2,963,899	2,963,899	-	-
Thai Cane Paper Public Company Limited	98.20	3,582,537	3,582,537	5,007,375	4,680,144	-	-	5,007,375	4,680,144	254,026	237,091
SCGP Excellence Training Center Co., Ltd.	100	49,000	49,000	49,000	49,000	-	-	49,000	49,000	24,500	-
SCG Paper Energy Co., Ltd.	100	890,000	890,000	890,000	890,000	-	-	890,000	890,000	-	-
SCGP Solutions Co., Ltd.	100	170,000	1,000	170,000	1,000	-	-	170,000	1,000	-	-
SCGP-T Plastics Co., Ltd.	100	149,000	1,000	149,000	1,000	-	-	149,000	1,000	-	-
SCGP Solutions (Singapore) Pte. Ltd.	100	726,880	-	726,880	-	-	-	726,880	-	-	-
Total		17,262,411	16,218,531	28,462,400	27,091,289	64,035	64,035	28,398,365	27,027,254	7,802,977	774,457

Notes to the financial statements

SCG Packaging Public Company Limited

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9 Investment properties

	Land	Land improvements	Buildings	Total
	<i>(in thousand Baht)</i>			
Cost				
At 1 January and 31 December 2017	213,672	26,152	36,993	276,817
Additions	64,261	-	-	64,261
At 31 December 2018	277,933	26,152	36,993	341,078
Accumulated depreciation				
At 1 January 2017	-	26,147	11,680	37,827
Depreciation charge for the year	-	-	1,840	1,840
At 31 December 2017	-	26,147	13,520	39,667
Depreciation charge for the year	-	-	1,839	1,839
At 31 December 2018	-	26,147	15,359	41,506
Carrying amount				
At 31 December 2017	213,672	5	23,473	237,150
At 31 December 2018	277,933	5	21,634	299,572

Investment properties were revalued as at 31 December 2018 at open market values on an existing use basis. The fair value was Baht 331 million (2017: Baht 255 million).

The fair value measurement for investment properties have been categorized as a Level 3 fair value based on the inputs to the valuation technique used, which is income approach.

Notes to the financial statements

SCG Packaging Public Company Limited

For the year ended 31 December 2018

10 Property, plant and equipment

	Land and land improvements	Buildings and structures	Machinery and equipment	Transportation equipment	Furniture, fixtures and office equipment	Construction in progress	Total
	<i>(in thousand Baht)</i>						
Cost							
At 1 January 2017	43,016	127,307	295,427	891	61,335	19,211	547,187
Additions	-	296	11,819	-	669	13,393	26,177
Disposals / written-off	-	-	-	-	(55)	-	(55)
Transfers in (out)	-	648	14,129	-	327	(15,344)	(240)
At 31 December 2017	43,016	128,251	321,375	891	62,276	17,260	573,069
Additions	-	197	9,354	78	904	9,394	19,927
Disposals	-	-	(3,190)	-	(14,067)	-	(17,257)
Transfers in (out)	-	2,206	8,237	-	1,183	(11,847)	(221)
At 31 December 2018	43,016	130,654	335,776	969	50,296	14,807	575,518

Notes to the financial statements

SCG Packaging Public Company Limited

For the year ended 31 December 2018

	Land and land improvements	Buildings and structures	Machinery and equipment	Transportation equipment	Furniture, fixtures and office equipment	Construction in progress	Total
	<i>(in thousand Baht)</i>						
Accumulated depreciation							
At 1 January 2017	11,839	68,424	167,506	285	51,106	-	299,160
Depreciation charge for the year	10	5,933	23,109	88	4,261	-	33,401
Disposals / written-off	-	-	-	-	(55)	-	(55)
At 31 December 2017	11,849	74,357	190,615	373	55,312	-	332,506
Depreciation charge for the year	10	5,948	24,859	92	3,717	-	34,626
Disposals	-	-	(3,157)	-	(14,052)	-	(17,209)
At 31 December 2018	11,859	80,305	212,317	465	44,977	-	349,923

Notes to the financial statements

SCG Packaging Public Company Limited

For the year ended 31 December 2018

	Land and land improvements	Buildings and structures	Machinery and equipment	Transportation equipment	Furniture, fixtures and office equipment	Construction in progress	Total
	<i>(in thousand Baht)</i>						
<i>Carrying amount</i>							
At 31 December 2017	31,167	53,894	130,760	518	6,964	17,260	240,563
At 31 December 2018	31,157	50,349	123,459	504	5,319	14,807	225,595

The gross carrying amount of fully depreciated property, plant and equipment that is still in use as at 31 December 2018 amounted to Baht 190 million (2017: Baht 200 million).

Notes to the financial statements

SCG Packaging Public Company Limited

For the year ended 31 December 2018

11 Intangible assets

	Software licenses	Software development cost	Total
	<i>(in thousand Baht)</i>		
Cost			
At 1 January 2017	63,587	8,901	72,488
Additions	1,235	8,576	9,811
Transfer in (out)	7,727	(7,487)	240
At 31 December 2017	72,549	9,990	82,539
Additions	3,351	7,180	10,531
Transfer in (out)	7,743	(7,522)	221
At 31 December 2018	83,643	9,648	93,291
Accumulated amortization			
At 1 January 2017	53,373	-	53,373
Amortization charge for the year	4,630	-	4,630
At 31 December 2017	58,003	-	58,003
Amortization charge for the year	5,181	-	5,181
At 31 December 2018	63,184	-	63,184
Carrying amount			
At 31 December 2017	14,546	9,990	24,536
At 31 December 2018	20,459	9,648	30,107

Notes to the financial statements

SCG Packaging Public Company Limited

For the year ended 31 December 2018

12 Deferred tax asset (deferred tax liability)

Deferred tax asset and liability are offset if there is a legally enforceable right to offset current tax asset and liability, and they relate to income taxes levied by the same tax authority on the same taxable entity, and are included in the statement of financial position as follows:

	2018	2017
	<i>(in thousand Baht)</i>	
Deferred tax asset	34,603	17,842
Deferred tax liability	(1)	(55)
Net	34,602	17,787

Movements in total deferred tax asset and liability during the years were as follows:

	At 1 January 2017	Credited (charged) to		At 31 December 2017
		profit or loss	other comprehensive income	
		<i>(Note 19)</i>		
		<i>(in thousand Baht)</i>		
<i>Deferred tax asset</i>				
Provisions for employee benefits	17,034	1,340	(532)	17,842
<i>Deferred tax liability</i>				
Unrealized gain on foreign currency exchange	(5)	(50)	-	(55)
Net	17,029	1,290	(532)	17,787

For the year ended 31 December 2018

13 Other current payables

14 Non-current provisions for employee benefits

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Notes to the financial statements

SCG Packaging Public Company Limited

For the year ended 31 December 2018

The defined benefit plans expose the Company to actuarial risks, such as longevity risk, interest rate risk and market risk.

Non-current provisions for employee benefits in statement of financial position as at 31 December

	2018	2017
	<i>(in thousand Baht)</i>	
Post-employment benefits - legal severance payments plan	154,350	71,860
Other long-term employee benefits	5,228	3,591
Total	159,578	75,451

Movements in the present value of non-current provisions for defined benefit plans

	2018	2017
	<i>(in thousand Baht)</i>	
Non-current provisions for defined benefit plans at 1 January	75,451	72,921
Included in profit or loss		
Current service costs	4,036	4,019
Interest on obligation	2,679	2,534
Actuarial losses	1,841	75
	8,556	6,628
Included in other comprehensive income		
Actuarial losses (gains)	80,963	(2,657)
Other		
Benefits paid	(5,392)	(1,441)
Non-current provisions for defined benefit plans at 31 December	159,578	75,451

Notes to the financial statements

SCG Packaging Public Company Limited

For the year ended 31 December 2018

Actuarial losses (gains) recognized in other comprehensive income as of the end of the reporting period arising from:

	2018	2017
	<i>(in thousand Baht)</i>	
<i>For the years ended 31 December</i>		
Demographic assumptions	48,181	-
Financial assumptions	2,406	-
Experience adjustment	30,376	(2,657)
Total	80,963	(2,657)

Actuarial assumptions

Principal actuarial assumptions as of the end of the reporting period

	2018	2017
	(%)	
<i>For the years ended 31 December</i>		
Discount rate *	3.02 - 3.09	3.09 - 3.23
Salary increase rate	3.00 - 7.00	3.00 - 8.00
Employee turnover rate **	4.00 - 10.00	4.00 - 15.50
Mortality rate ***	100.00 of TMO 2017	100.00 of TMO 2008

* Market yields on government's bonds for legal severance payments plan

** Upon the length of service

*** In 2018, reference from TMO2017: Thai Mortality Ordinary Table 2017

In 2017, reference from TMO2008: Thai Mortality Ordinary Table 2008

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the non-current provisions for defined benefit plans by the amounts shown below.

Notes to the financial statements

SCG Packaging Public Company Limited

For the year ended 31 December 2018

Effect on the non-current provisions for defined benefit plans at 31 December

	Increase (decrease)	
	2018	2017
	<i>(in thousand Baht)</i>	
Discount rate		
0.5% increase	(8,706)	(3,478)
0.5% decrease	9,495	3,750
Salary increase rate		
1.0% increase	18,963	9,115
1.0% decrease	(16,092)	(7,924)
Employee turnover rate		
10.0% increase	(7,413)	(6,384)
10.0% decrease	7,922	7,131

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

On 13 December 2018, the national Legislative Assembly approved a bill amending the Labor Protection Act, that will become effective 30 days after its publication in the Government Gazette, to include a requirement that an employee who is terminated after having been employed by the same employer for an uninterrupted period of twenty years or more, receives severance payment of 400 days of wages at the most recent rate, which is increased from the current maximum rate of 300 days. When the labor law come into force, the Company will recognize the increase of the provision for employee benefits that increase approximately Baht 51 million and recognize expense after deferred tax benefits approximately Baht 41 million.

Notes to the financial statements

SCG Packaging Public Company Limited

For the year ended 31 December 2018

15 Share capital

		2018		2017	
	Par Value (in Baht)	Number of shares	Value (in thousand shares / thousand Baht)	Number of shares	Value
Authorized					
At 1 January					
- ordinary shares	10	156,300	1,563,000	156,300	1,563,000
At 31 December					
- ordinary shares	10	156,300	1,563,000	156,300	1,563,000
Issued and paid-up					
At 1 January					
- ordinary shares	10	156,300	1,563,000	156,300	1,563,000
At 31 December					
- ordinary shares	10	156,300	1,563,000	156,300	1,563,000

16 Reserves

Share premium

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

Legal reserve

Section 116 of the Public Companies Act B.E. 2535 requires that a company shall allocate not less than 5% of its annual net profit, less any accumulated losses brought forward (if any), to a reserve account ("legal reserve"), until this account reaches an amount not less than 10% of the registered authorized capital. The legal reserve is not available for dividend distribution.

Notes to the financial statements

SCG Packaging Public Company Limited

For the year ended 31 December 2018

17 Administrative expenses

	2018	2017
	<i>(in thousand Baht)</i>	
Salary, welfare and personnel expenses	931,991	844,597
Service expenses	114,364	49,229
Rent, depreciation and amortization expenses	90,147	90,819
Professional and consultant fees	75,862	70,758
IT fees	50,472	46,540
Others	111,369	117,394
Total	1,374,205	1,219,337

18 Employee benefit expenses

	2018	2017
	<i>(in thousand Baht)</i>	
Salaries and wages	749,973	670,350
Contribution to defined contribution plans	55,702	50,364
Contribution to defined benefit plans	8,556	6,628
Welfares and others	117,760	117,255
Total	931,991	844,597

The defined contribution plans comprise provident funds established by the Company for its employees in addition to the above provident fund. The provident funds were registered with the Ministry of Finance under the Provident Fund Act B.E. 2530. Membership to the funds is on a voluntary basis. Contributions are made monthly by the employees at 2% to 15% of their basic salaries and by the Company at 5% to 13% of the members' basic salaries, depending on the length of employment.

Notes to the financial statements

SCG Packaging Public Company Limited

For the year ended 31 December 2018

19 Income tax

Income tax recognized in profit or loss

	Note	2018	2017
		<i>(in thousand Baht)</i>	
Current tax			
Current tax		24,943	1,413
Over provided in prior years		(3,133)	(272)
		<u>21,810</u>	<u>1,141</u>
Deferred tax			
Movements in temporary differences	12	(622)	(1,290)
Total		<u>21,188</u>	<u>(149)</u>

Income tax recognized in other comprehensive income

	2018	2017
	<i>(in thousand Baht)</i>	
Actuarial gains (losses)	<u>(16,193)</u>	<u>532</u>

Notes to the financial statements

SCG Packaging Public Company Limited

For the year ended 31 December 2018

Reconciliation of effective tax rate

	2018		2017	
	Rate	(in thousand Baht)	Rate	(in thousand Baht)
	(%)		(%)	
Profit before income tax		7,946,182		818,906
Income tax using the Thai corporation tax rate	20	1,589,236	20	163,781
Income not subject to tax		(1,562,820)		(158,834)
Expenses deductible at a greater amount		(6,373)		(5,720)
Expenses not deductible for tax purposes		6,422		2,991
Prior year expenses deductible for tax purposes		(1,522)		(805)
Current tax		24,943		1,413
Over provided in prior years		(3,133)		(272)
Movement in temporary differences		(622)		(1,290)
Income tax expense (benefits)		21,188		(149)

20 Basic earnings per share

The calculations of basic earnings per share for the years ended 31 December was based on the profit for the years attributable to owners and the number of ordinary shares outstanding during the years as follow:

	2018	2017
	(in thousand Baht / thousand shares)	
Profit for the year attributable to ordinary shareholders of the Company	7,924,994	819,055
Weighted average number of ordinary shares outstanding	156,300	156,300
Basic earnings per share (in Baht)	50.70	5.24

Notes to the financial statements

SCG Packaging Public Company Limited

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21 Dividends

At the Annual General Meeting of the Shareholders of the Company held on 28 March 2017, the shareholders approved the appropriation of dividends of Baht 5.00 per share, amounting to Baht 782 million. The dividend was paid to shareholders during 2017.

At the Annual General Meeting of the Shareholders of the Company held on 23 March 2018, the shareholders approved the appropriation of dividends of Baht 50.00 per share, amounting to Baht 7,815 million. The dividend was paid to shareholders during 2018.

22 Lease agreements

- (a) The Company entered into lease agreements with related parties covering the land where its building are located. The term of the lease is up to year 2019 and year 2020 with the rental fee of Baht 3.5 million per year.
- (b) The various car lease agreements. These agreements will be gradually due within May 2023. Under the terms of these agreements, the Company has to pay annual rental as follows.

	2018	2017
	<i>(in thousand Baht)</i>	
Within one year	12,325	11,701
After one year but within five years	20,437	11,643
Total	32,762	23,344

22 Financial instruments

Liquidity risk

The Company monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate to finance the Company's operations and to mitigate the effects of fluctuations in cash flows.

Notes to the financial statements

SCG Packaging Public Company Limited

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Interest rate risk

Interest rate risk arises from the changing of interest rates, which may effect current and future operations of the Company. Management believes that the interest rate risk is minimal, hence, the Company does not have any hedging agreement to protect such risk.

Foreign exchange risk

The Company's exposure to foreign exchange risk relates principally to its receivables and payables which are denominated in foreign currencies. However, as at 31 December 2018 and 2017, the Company does not have material foreign currency risk.

Fair value of financial assets and liabilities

Since the majority of the financial assets and liabilities classified as short-term and loans are bearing interest at rates closed to current market rate, the management believes that as at 31 December 2018 and 2017, the carrying amount of the Company's financial instruments does not materially differ from their aggregate fair value.

24 Capital management

The management of the Company has the capital management policy to maintain a strong capital base by emphasis in planning and determining the operating strategies resulting in good business's performance and sustain good cash flows management. In addition, the Company considers investing in projects which have good rate of return, appropriate working capital management, maintain a strong financial position and appropriate investment structure as to maintain sustain future operations of the business and to maintain shareholders, investors, creditors and others interest's confidence.

Notes to the financial statements

SCG Packaging Public Company Limited

For the year ended 31 December 2018

25 Events after the reporting period

At the Board of Directors' Meeting of the Company held on 30 January 2019, the directors proposed for approval at the Annual General Meeting of Shareholders, the payment of a dividend for 2018 at the rate of Baht 10.00 per share, amounting to Baht 1,563 million and is scheduled for payment on 25 April 2019. The dividend is subject to the approval of the Shareholders at the Annual General Meeting to be held on 26 March 2019.

26 Events after the reporting period

Certain accounts in the 2017 financial statement have been reclassified to conform to the presentation in the 2018 financial statements were as follows:

	Before reclassification	Reclassification (in thousand Baht)	After reclassification
Statement of income			
For the year ended 31 December 2017			
Service income	-	1,158,579	1,158,579
Administrative expenses	(60,758)	(1,158,579)	(1,219,337)

27 Thai Financial Reporting Standards (TFRS) that have been issued but is not yet effective

The new and revised TFRSs have been issued but are not yet effective and have not been applied in preparing these financial statements. The new and revised TFRSs that may be relevant to the Company's operations, which become effective for annual financial periods beginning on or after 1 January 2019 and 2020. The Company does not plan to early adopt these TFRSs.

The Company has made assessment of potential impact on the financial statements of the revised TFRSs that there will be no material impact on the financial statements in the period of initial application.

Notes to the financial statements

SCG Packaging Public Company Limited

For the year ended 31 December 2018

The new TFRSs are set out below:

TFRS	Topic	Effective
TFRS 7*	Financial Instruments: Disclosures	2020
TFRS 9*	Financial Instruments	2020
TFRS 15	Revenue from Contracts with Customers	2019
TAS 32*	Financial Instruments: Presentation	2020
TFRIC 16*	Hedges of a Net Investment in a Foreign Operation	2020
TFRIC 19*	Extinguishing Financial Liabilities with Equity Instruments	2020

* TFRS - Financial instruments standards

(a) TFRS 15 Revenue from Contracts with Customers

TFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. Revenue should be recognized when (or as) an entity transfers control over goods or services to a customer, measured at the amount to which the entity expects to be entitled.

The Company has made an assessment of the potential impact of adopting and initially applying TFRS 15 on the financial statements that there are no material impact on the financial statements in the period of initial application.

(b) TFRS - Financial instruments standards

These TFRS establish requirements related to definition, recognition, measurement, impairment and derecognition of financial assets and financial liabilities, including accounting for derivatives and hedge accounting.

The Company is presently considering the potential impact of adopting and initially applying TFRS - Financial instruments standards on the consolidated financial statements.

Investment in Subsidiaries, Associates, and Other Companies

(As of December 31, 2018)

	Name	Principal Business / Products	Head Office	Telephone	Facsimile	Type of Shares	Issued and Paid-up Shares (Million Baht)	Number of Paid-up Shares (Shares)	Number of Shares Held by the Company (Shares)	Total Direct / Indirect Holding * (Percent)
Subsidiaries										
1	Siam Kraft Industry Co., Ltd.	Kraft Paper	1 Siam Cement Road, Bangsue, Bangkok	0 2586 3333	0 2586 2164	Ordinary Shares	3,450	34,500,000	34,499,998	100.00
2	SCG Paper Energy Co., Ltd.	Energy	1 Siam Cement Road, Bangsue, Bangkok	0 2586 3333	0 2586 2164	Ordinary Shares	890	8,900,000	8,899,998	100.00
3	United Pulp and Paper Co., Inc.	Kraft Paper	9 th Floor, Fort Legend Tower, 3 rd Avenue corner 31 st Street, Bonifacio Global City, Taguig City, the Philippines	(63) 2870 0100	(63) 2870 0409	Ordinary Shares	1,082	140,570,863	109,995,290	99.70
						Preference Shares	3,246	840,000,000	648,244,594	
4	Paperlink Inter-Trade Corporation	Kraft Paper	9 th Floor, Fort Legend Tower, 3 rd Avenue corner 31 st Street, Bonifacio Global City, Taguig City, the Philippines	(63) 2870 0100	(63) 2870 0409	Ordinary Shares	0.74	100,000	-	99.70
5	Thai Cane Paper Public Company Limited	Kraft Paper	222 Mu 1, Saeng Xuto Road, Wangkanai Sub-district, Tha Muang District, Kanchanaburi Province	0 3461 5800	0 3461 5899	Ordinary Shares	3,583	358,253,721	351,791,210	98.20
6	Vina Kraft Paper Co., Ltd.	Kraft Paper	D-6A-CN, My Phuoc Industrial Park No.3, Ben Cat District, Binh Duong Province, Vietnam	(84) 8268 0240-2	(84) 8268 0239	**	6,069	-	-	70.00
7	SCGP Solutions Co., Ltd.	Holding Company	1 Siam Cement Road, Bangsue, Bangkok	0 2586 3333	0 2586 2164	Ordinary Shares	170	1,700,000	1,699,998	100.00
8	SCGP-T Plastics Co., Ltd.	Holding Company	1 Siam Cement Road, Bangsue, Bangkok	0 2586 3333	0 2586 2164	Ordinary Shares	149	1,490,000	1,489,997	100.00
9	Precision Print Co., Ltd.	Offset-Printed Cartons	30/139 Mu 1, Sinsakhon Industrial Estate, Khok Kham Sub-district, Mueang Samutsakorn District, Samutsakorn Province	0 2105 4477	0 3445 2339	Ordinary Shares	33.4	3,340,000	-	75.00
10	Conimex Co., Ltd.	Rigid Plastic Packaging	40 Mu 12, Soi Sahamit 2, Sukhumvit 77 Road, Srisajorakhenoi Sub-district, Bang Sao Thong District, Samutprakarn Province	0 2738 0305	0 2326 6275	Ordinary Shares	420	4,200,000	-	75.00
11	Thai Containers Group Co., Ltd.	Corrugated Boxes	1 Siam Cement Road, Bangsue, Bangkok	0 2586 5991	0 2586 4723	Ordinary Shares	1,384	13,840,000	9,687,999	70.00
12	Thai Containers Khonkaen Co., Ltd.	Corrugated Boxes	1 Siam Cement Road, Bangsue, Bangkok	0 2586 3333	0 2586 2164	Ordinary Shares	150	150,000	-	70.00
13	Thai Containers Rayong Co., Ltd.	Corrugated Boxes	1 Siam Cement Road, Bangsue, Bangkok	0 2586 3333	0 2586 2164	Ordinary Shares	650	650,000	-	70.00
14	TCG Rengo (S) Limited	Corrugated Boxes	21, Fourth Chin Bee Road, Singapore	(65) 6261 5846	(65) 6265 3144	Ordinary Shares	56	2,400,000	-	70.00
15	New Asia Industries Co., Ltd.	Corrugated Boxes	Lot B3, Road 2, Binh Chieu Industrial Park, Binh Chieu Ward, Thu Duc District, Ho Chi Minh City, Vietnam	(84) 83729 4160	(84) 83729 3028	**	345	-	-	70.00
16	Alcamax Packaging (Vietnam) Co., Ltd.	Corrugated Boxes	No.7, Street 6, Vietnam-Singapore Industrial Park, Thuan An District, Binh Duong Province, Vietnam	(84) 0650 374 3031	(84) 0650 378 2816	**	607	-	-	70.00
17	AP Packaging (Hana) Co., Ltd.	Corrugated Boxes	Lot 6 Nam Sach Industrial Zone, Nam Sach District, Hai Duong Province, Vietnam	(84) 0320 375 3862	(84) 0320 375 2868	**	248	-	-	70.00

* Directly and indirectly holding through the company, subsidiaries, associates and other companies.

** No issuance of share for the Limited Liability Company incorporated in Vietnam. The capital contribution is as stipulated in the investment certificate of the invested company.

Name	Principal Business / Products	Head Office	Telephone	Facsimile	Type of Shares	Issued and Paid-up Shares (Million Baht)	Number of Paid-up Shares (Shares)	Number of Shares Held by the Company (Shares)	Total Direct / Indirect Holding * (Percent)
18 Packamex (Vietnam) Co., Ltd.	Corrugated Boxes	Lot No. 20, Road B, Lin Trung EPZ, Thu Duc District, Ho Chi Minh City, Vietnam	(84) 83 729 1030	(84) 83 729 1031	**	220	-	-	70.00
19 Dyna Packs Co., Ltd.	Corrugated Boxes	297/2 Mu 2, Soi Wiroonrat, Setthakit 1 Road, Om Noi Sub-district, Krathum Baen District, Samutsakorn Province	0 2810 9346-7	0 2810 9103	Ordinary Shares	90	900,000	-	70.00
20 Orient Containers Co., Ltd.	Corrugated Boxes	12/5, 12/8 Mu 8, Soi Liab Khlong Chonprathan Suan Som, Rama II Road, Ban Kho Sub-district, Mueang Samutsakorn District, Samutsakorn Province	0 3488 3422-4	0 3488 3421	Ordinary Shares	260	26,000,000	-	70.00
21 D-In Pack Co., Ltd.	Corrugated Boxes	58/2 Mu 6 Phra Prathon-Ban Phaeo Road, Talad Jinda Sub-district, Sam Phran District, Nakhon Pathom Province	0 3498 1401-4	0 3498 1406-7	Ordinary Shares	50	5,000	-	70.00
22 PT Indoris Printingdo	Corrugated Boxes	Jl. Raya Serang KM 18.8, Sukanegara Village, Rt.003/Rw.01, Cikupa District, Tangerang Regency, Banten Province, Indonesia	(62) 21 596 0772-3	(62) 21 596 0774 (62) 21 596 3076	Ordinary Shares	55	20,000	-	69.79
23 PT Primacor Mandiri	Corrugated Boxes	Jl. Raya Serang KM 13.8, Tristate Industrial Estate, Desa Sukadamai, Kecamatan Cikupa, Kabupaten Tangerang, Provinsi Banten, Indonesia	(62) 21 596 2345	(62) 21 596 2000	Ordinary Shares	294	101,000	-	67.90
24 PT Indocorr Packaging Cikarang	Corrugated Boxes	Jl. Industri Selatan 2 Block LL-3, Jababeka Industrial Estate Cikarang, Pasirsari Village, South Cikarang Sub-District, Bekasi Regency, Indonesia	(62) 21 893 6868	(62) 21 893 6565	Ordinary Shares	241	424,790	-	56.00
25 TC Flexible Packaging Co., Ltd.	Holding Company	1 Siam Cement Road, Bangsue, Bangkok	0 2586 5991	0 2586 4723	Ordinary Shares	2,108	21,079,194	-	52.50
26 Tawana Container Co., Ltd.	Corrugated Boxes	599 Mu 4, Phatthana 1 Road, Phraeksa Sub-district, Mueang Samutprakarn District, Samutprakarn Province	0 2324 0781	0 2324 0079	Ordinary Shares	300	3,000,000	-	50.40
27 Tin Thanh Packing Joint Stock Company	Flexible Packaging	Lot C20, Duc Hoa Ha Plastic Industrial Group, Binh Tien Hamlet, Duc Hoa Ha Commune, Duc Hoa District, Long An Province, Vietnam	(84) 723 779 747	(84) 723 779 750	Ordinary Shares	158	10,204,201	-	47.24
28 Prepack Thailand Co., Ltd.	Flexible Packaging	30/145 Mu 1, Khok Kham Sub-district, Mueang Samutsakorn District, Samutsakorn Province	0 3444 0600-5	0 3444 0606-7	Ordinary Shares Preference Shares	322 90	3,220,000 900,000	-	37.80
29 Phoenix Pulp & Paper Public Company Limited	Bleached Pulp / Printing and Writing Paper	1 Siam Cement Road, Bangsue, Bangkok	0 2586 3333	0 2586 2164	Ordinary Shares Preference Shares	2,365 98	236,474,780 9,806,380	164,506,148 6,857,036	69.58
30 Phoenix Utilities Co., Ltd.	Utilities	99 Mu 3, Gud Nam Sai Sub-district, Nam Phong District, Khon Kaen Province	0 4343 3104-6	0 4343 3101	Ordinary Shares	1,500	15,000,000	-	69.58

* Directly and indirectly holding through the company, subsidiaries, associates and other companies.

** No issuance of share for the Limited Liability Company incorporated in Vietnam. The capital contribution is as stipulated in the investment certificate of the invested company.

	Name	Principal Business / Products	Head Office	Telephone	Facsimile	Type of Shares	Issued and Paid-up Shares (Million Baht)	Number of Shares Paid-up Shares (Shares)	Number of Shares Held by the Company (Shares)	Total / Direct / Indirect Holding * (Percent)
31	Thai Paper Co., Ltd.	Printing and Writing Paper	1 Siam Cement Road, Bangsue, Bangkok	0 2586 3333	0 2586 2164	Ordinary Shares	7,770	77,700,000	-	69.58
32	Thai Union Paper Public Company Limited	Printing and Writing Paper	131 Mu 2, Pu Chao Saming Phrai Road, Samrong Klang Sub-district, Phra Pradaeng District, Samutprakarn Province	0 2754 2100-10	0 2754 2118	Ordinary Shares	430	43,000,000	-	69.55
33	The Siam Forestry Co., Ltd.	Forestry	1 Siam Cement Road, Bangsue, Bangkok	0 2586 3333	0 2586 2164	Ordinary Shares	184	1,840,000	-	69.58
34	Panas Nimit Co., Ltd.	Forestry	1 Siam Cement Road, Bangsue, Bangkok	0 2586 3333	0 2586 2164	Ordinary Shares	1.5	15,000	-	69.58
35	Thai Panason Co., Ltd.	Forestry	1 Siam Cement Road, Bangsue, Bangkok	0 2586 3333	0 2586 2164	Ordinary Shares	1.5	15,000	-	69.58
36	Thai Panadorn Co., Ltd.	Forestry	1 Siam Cement Road, Bangsue, Bangkok	0 2586 3333	0 2586 2164	Ordinary Shares	1.5	15,000	-	69.58
37	Thai Panaram Co., Ltd.	Forestry	1 Siam Cement Road, Bangsue, Bangkok	0 2586 3333	0 2586 2164	Ordinary Shares	1.5	15,000	-	69.58
38	Suampa Rungsis Co., Ltd.	Forestry	1 Siam Cement Road, Bangsue, Bangkok	0 2586 3333	0 2586 2164	Ordinary Shares	1.5	15,000	-	69.58
39	Siam Panawes Co., Ltd.	Forestry	1 Siam Cement Road, Bangsue, Bangkok	0 2586 3333	0 2586 2164	Ordinary Shares	2.5	25,000	-	69.58
40	Thai Panaboon Co., Ltd.	Forestry	1 Siam Cement Road, Bangsue, Bangkok	0 2586 3333	0 2586 2164	Ordinary Shares	3.0	30,000	-	69.58
41	Thai Wanabhum Co., Ltd.	Forestry	1 Siam Cement Road, Bangsue, Bangkok	0 2586 3333	0 2586 2164	Ordinary Shares	2.5	25,000	-	69.58
42	Invenique Co., Ltd.	Asset and Intellectual Property Management Service	1 Siam Cement Road, Bangsue, Bangkok	0 2586 3333	0 2586 2164	Ordinary Shares	70	702,000	701,998	100.00
43	SCGP Excellence Training Co., Ltd.	Training	1 Siam Cement Road, Bangsue, Bangkok	0 2586 3876	0 2586 4507	Ordinary Shares	49	1,150,000	1,149,998	100.00
44	SCGP Solutions (Singapore) Pte. Ltd.	Holding Company	8 Marina Boulevard #05-02 Marina Bay Financial Centre Singapore 018981	-	-	Ordinary Shares	727	20,000,000	20,000,000	100.00
45	Interpress Printers Sendirian Berhad		No.1 Jalan Taylor's, 47500 Subang Jaya, Selangor Dural Ehsan, Malaysia	(603) 5542-1716	(603) 5542-1703	Ordinary Shares Preference Shares	609	47,478,796 28,000,000	-	68.30
Associates and Other Companies										
46	Siam Toppaan Packaging Co., Ltd.	Offset-Printed Cartons	543 Mu 4, Phraksa Sub-district, Mueang Samutprakarn District, Samutprakarn Province	0 2709 3110-7	0 2324 0336	Ordinary Shares	500	5,000,000	2,450,000	49.00
47	P85 Holdings Corporation	Holding Company	9 th Floor, Fort Legend Tower, 3 rd Avenue corner 31 st Street, Bonifacio Global City, Taguig City, the Philippines	(63) 2870 0100	(63) 2870 0409	Ordinary Shares	263	27,650,000	11,059,998	40.00
48	Siam Nippon Industrial Paper Co., Ltd.	Specialty Paper	1 Siam Cement Road, Bangsue, Bangkok	0 2586 3333	0 2586 2164	Ordinary Shares	1,100	11,000,000	-	31.31
49	Sahagreen Forest Co., Ltd.	Energy And Utilities	88 Mu 6, Khui Ban Ong Sub-district, Phran Kratai District, Kamphaeng Phet Province	0 5585 8033	0 5585 8031	Ordinary Shares	190	19,000,000	-	17.40

* Directly and indirectly holding through the company, subsidiaries, associates and other companies.

** No issuance of share for the Limited Liability Company incorporated in Vietnam. The capital contribution is as stipulated in the investment certificate of the invested company.

Directors' Information

SCG Packaging Public Company Limited

1. Directors having interests directly or indirectly in any contract entered into by the company during financial year.

- None -

2. Shareholding of Directors in the Company and its affiliates. (As at December 31, 2018)

Directors	SCG Packaging Public Company Limited			Affiliated Companies ¹					
	Ordinary Shares (shares)			Ordinary Shares (shares)			Debentures (shares)		
	Year 2018	Year 2017	Increase (decrease) during financial year	Year 2018	Year 2017	Increase (decrease) during financial year	Year 2018	Year 2017	Increase (decrease) during financial year
1. Mr. Roongrote Rangsiyopash	-	-	-	30,000*	30,000*	-	84,000**	80,000**	4,000**
2. Mr. Tanawong Areeratchakul	-	-	-	-	-	-	-	-	-
3. Mr. Chaovalit Ekabut	-	-	-	30,000*	30,000*	-	-	-	-
4. Mr. Somchai Wangwattanapanich	-	-	-	4,300*	4,300*	-	-	-	-
5. Mr. Aree Chavalitcheewingul	-	-	-	-	-	-	-	-	-
6. Mr. Nithi Patarachoke	-	-	-	4,000*	4,000*	-	-	-	-
7. Mr. Thammasak Sethaudom	-	-	-	-	-	-	-	-	-

Notes:

¹ According to the Public Limited Companies Act, an "affiliated company" means a public limited company with a relationship to a private company or with any public limited company, or with any companies in the following manner:

- Any company that has the authority to control over appointment and removal of directors who have full or majority management authority of another company.
- Any company holds more than 50% of issued shares of another company.

* Ordinary shares of The Siam Cement Public Company Limited

** Debentures of The Siam Cement Public Company Limited

3. Remuneration, shares, debentures, or other benefits which directors received from the company

As the Board of Directors Meeting on August 20, 2003 resolved to cancel all directors' remuneration, the company does not pay any remuneration to directors accordingly, effective from August 2003 onwards. Moreover, all directors do not receive any other benefits given for being the company's directors.

First 10 major shareholders

(As of December 31, 2018)

Shareholders	No. of ordinary shares	Percent of total shares
1. The Siam Cement Public Company Limited	154,794,133	99.037
2. Mr.Taewan Tantichattanont	116,000	0.074
3. Miss Orapin Thidarat	96,700	0.062
4. Randery Burahmakan Company Limited	93,600	0.060
5. Mr. Man Nana	78,160	0.050
6. Roman Catholic Mission of Bangkok	53,448	0.034
7. Mr. U-thane Tantichattanont	50,000	0.032
8. Mr. Somsak Nana	46,572	0.030
9. Mr. Pipatpong Israsena Na Ayuthaya	26,444	0.017
10. Mr. Yuph Nana	24,972	0.016
11. Other Shareholders	919,971	0.589
Total	156,300,000	100.000



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